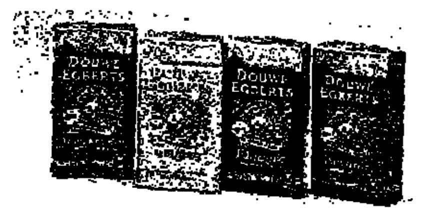

Pan-European packaging
How to design for the single market
Page 7

Hollow at the centre
Where have all the US mid-level jobs gone?
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Siemens Automation
Why innovation is the answer
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Acid test for leaders' powers of persuasion
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FT NEWSPAPER of THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper

THURSDAY JANUARY 14 1993

D8523A

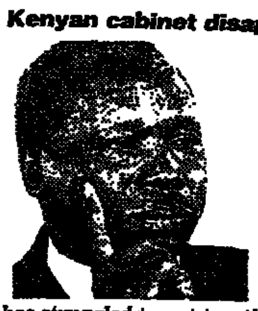
W German growth rate falls to 0.8% in 10-year low

Western Germany's growth rate is continuing to fall rapidly after hitting *a 10-year low in 1992*, according to the Bonn economics ministry.

Figures from the federal statistics offices showed gross national product rose 0.8 per cent last year, after a 3.6 per cent increase in 1991, the worst result since 1982, when the economy shrank by more than 1 per cent.

A senior finance ministry official said negative growth this year could no longer be ruled out. Page 12

Kenyan cabinet disappoints donors:



Recently re-elected Kenyan *president* Daniel arap Moi's new cabinet drew negative *reactions* from western donors, who have suspended about $400m of aid. They had hoped for positive signals on economic reforms and clean government. The president, who has struggled to put together a competent cabinet since his narrow victory last month, rewarded the tribes and people who supported him at the polls. Page 4

Peacekeeping role for German troops: A formula to change *Germany's constitution* to enable its soldiers to take part in United Nations peacekeeping and peacemaking operations, and in similar projects outside the UN's scope, was agreed by the ruling coalition. Page 2

Steel price rise: British Steel, privatised UK steelmaker, is to raise prices on some of its main products by as much as 13 per cent in an attempt to halt the fall in prices in the European steel industry. Page 12

Top Gatt talks postponed: Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade, postponed a meeting of senior trade negotiators in the Uruguay round of talks. Page 3

Russia puts off debt talks: Russia has put off debt rescheduling talks with western creditors after failing to resolve its dispute with Ukraine over assets of the former Soviet Union. Page 2

EBRD plans 'rouble funds': The EBRD plans "rouble funds" to help modernise Russia's agriculture ~~and restructure its military industries~~; to operate by the end of this year. Western investors would subscribe hard currency equity capital to the funds to finance western imports, while Russian investors would be offered holdings subscribed in roubles. Page 12

Japan, EC meet over trade monitoring: *Japanese ministers and EC commissioners* will try to reach agreement tomorrow on monitoring bilateral trade between the EC and Japan. Page 3

Former Italian general killed: A retired Italian air force general, Gen Roberto Boemio, was stabbed to death by two unknown assailants in front of his Brussels home.

Unita captures city: Angolan former rebel movement Unita said it had captured the northern city of Mbanza Congo and seized a military convoy near the port of Lobito, continuing its insurgence against the recently elected MPLA party.

European chemical industry: Europe's chemical industry faces a tough year, with higher profits possible only by cutting labour costs, says the European *Chemical Industry Council.* Page 2

Volkswagen, Europe's leading carmaker, is to go ahead with a heavy investment programme in spite of the recession. The five-year spending plan will inject almost DM76bn ($47.7bn) by the end of 1997. Page 13

Intel, world's largest semiconductor supplier, recorded record sales and earnings in 1992, beating the most optimistic analyst projections and reflecting strong sales of personal computers for which Intel is the top supplier of microprocessors. Page 13

British Aerospace is poised to finalise a £240m *($370m) joint venture with Taiwan Aerospace* to manufacture and develop BAe's new Regional *Jet range of aircraft at a BAe* plant in north-west England and in Taiwan. Page 13

Spanish directors quit at Cofir: The future of the Spanish operations of Carlo de Benedetti's Cerus group is in doubt *following the resignation* of several directors of Cofir, the holding company for the Spanish business. Page 14

STOCK MARKET INDICES		
FT-SE 100:	2,745.3	(-12.6)
Yield	4.42	
FT-SE Eurotrack 100	1,063.82	(-8.41)
FT-A All-Share	1,331.18	(-0.4%)
Nikkei	16,517.91	(-163.14)
New York: lunchtime		
Dow Jones Ind Ave	3,246.27	(-18.37)
S&P Composite	430.42	(-0.62)
US LUNCHTIME RATES		
Federal Funds:	$2\frac{13}{16}$%	
3-mo Treas Bills: Yld	3.055%	
Long Bond	$101\frac{21}{32}$	
Yield	7.474%	
LONDON MONEY		
3-mo Interbank	$7\frac{1}{16}$%	($7\frac{1}{8}$%)
Liffe long gilt future:	Mar $99\frac{23}{32}$	(Mar $99\frac{1}{2}$)
NORTH SEA OIL (Argus)		
Brent 15-day (Feb)	$17.075	(17.05)
Gold		
New York Comex (Jan)	$327.5	(328.5)
London	$327.45	(330.05)

STERLING		
New York lunchtime:		
$	1.5385	
London:		
$	1.5395	(1.54)
DM	2.5125	(same)
FFr	8.5175	(8.5275)
SFr	2.2975	(2.3075)
Y	194	(193)
£ Index	81.8	(same)
DOLLAR		
New York lunchtime:		
DM	1.63465	
FFr	5.53875	
SFr	1.49275	
Y	126.815	
London:		
DM	1.6325	(1.632)
FFr	5.5325	(5.5375)
SFr	1.492	(1.499)
Y	126	(125.25)
$ Index	65.8	(65.7)
Tokyo close Y 125.87		

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00		
Bahrain	Din1.250	Hungary	Ft192	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lw25.00	India	Rs40	Neth	Fl 3.75	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr15		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr16.00	Switz	SFr3.20		
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Syria	S£50.00		
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50		
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250		
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L6000		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	UAE	Dh11.00		

Allies launch air attack on missiles in Iraqi no-fly zone

By George Graham in Washington, *Philip Stephens in* London and our Foreign Staff

US, BRITISH and French combat aircraft last night launched their first strike against Iraq since the Gulf War two years ago, in a three-hour raid which appeared to limit itself to attacks on surface-to-air missile sites in the southern no-fly zone set up by the allies last August.

The attack, launched from the *aircraft carrier Kitty Hawk* and from air bases in Saudi Arabia, *led immediately* to an apparent Iraqi climbdown, with pledges to *halt incursions into Kuwaiti* territory and to authorise UN flights into Iraq, *two of the UN's main* demands.

According to one estimate, the strike – which came as Mr George Bush entered the last week of his presidency – involved up to 100 allied warplanes. They included British Tornado strike aircraft, six of which are stationed at Dhahran in north-eastern Saudi Arabia where France has Mirage 2000 fighters, also thought likely to have been involved. The US called the attack successful.

"Preliminary information indicates the mission was accomplished," said Mr Marlin Fitzwater, the White House spokesman. "All of our planes have returned to their bases." He said the targets were "several missile sites" in the southern part of Iraq.

A US Hornet prepares for launch

The US and its coalition partners stood ready to take "additional actions" to assure Iraqi compliance with ceasefire terms. Mr Fitzwater said President Bush had deployed a battalion task force to Kuwait to guard against Iraqi incursions. A battalion is generally 600 to 800 troops.

Mr Nizar Hamdoun, the Iraqi ambassador to the UN, said his government would remove no more equipment from the Umm Qasr naval base, located in territory that has now been ruled by the UN to belong to Kuwait, and would not block UN inspectors from flying their own planes into Iraq. These, along with violations of the no-fly zone south of the 32nd parallel established in August by the western allies, threatening missile movements *and attacks on UN relief* operations in Kurdistan, have *formed part of what the US and* its partners saw as a pattern of provocation by Iraq.

Yesterday's escalating tension began when Iraq sent a salvage team for the fourth successive day into a former Iraqi naval base at Umm Qasr, in territory which the UN deems now to be part of Kuwait.

In the face of such repeated provocations, some US officials had been arguing for a bigger and more sustained strike, with some even advocating attacks on troop concentrations, possibly annihilating a complete Iraqi division. The aim of such an *attack would be to convince Iraqi* military commanders that they *are the ones who suffer* from President Saddam Hussein's *aggressions.*

But speaking *before the strike* Mr Lawrence Eagleburger, the *US secretary of state, in Paris for* the signature of the chemical weapons convention, said: "I

Continued on Page 12
Allies attack Saddam's rebuilt air defences;
Arab hostilities divided between west and Iraq, Page 4
Editorial Comment, Page 11

Dollar firms, oil steady

THE DOLLAR rose modestly against the D-Mark yesterday as news of the US attack on Iraq filtered through to foreign exchange markets in the US, write James Blitz and Deborah Hargreaves.

Reports that President Bush was planning an attack had pushed the dollar to a high of DM1.6333 against the D-Mark in European trading, from a previous close in London at DM1.6320.

Television news reports that bombing raids had started lifted the dollar higher, to DM1.6350, in the US. Political tensions in the world tend to be positive for the dollar, which is deemed a "safe haven" currency.

US shares retreated on news of the attack on Iraq. The Dow Jones *Industrial Average was down 18.10 points at* lunchtime in New York, at 3,246.54. In London, the FT-SE 100 index of leading shares closed down 12.6 *points at* 2,745.3.

Oil prices were unchanged late yesterday after moving up about 30 cents a barrel on the immediate news of the attack. *North Sea Brent* crude for March delivery was at $17.25 a barrel on continued fears about oversupply.

Commodities, Page 22
Currencies, Page 30; World stocks, Page 32; London stocks, Page 23

Futures exchanges agree to link their markets

By Tracy Corrigan in London

TWO OF Europe's largest futures exchanges, Germany's Deutsche Terminbörse and France's Matif, have agreed to link their markets, in the most significant co-operation pact yet between exchanges.

Under the agreement, members of the DTB will be able to trade *the Matif's Ecu contracts*, while Matif members will have access *to the DTB's important D-Mark* interest rate contracts.

In addition, the Matif is to acquire the DTB's computerised trading system, which will initially be used for trading its Ecu products.

Faced with increasing competition from over-the-counter products developed by banks, futures exchanges have become increasingly keen to co-operate with each other. Technological advances have *enabled* traders around the world to come together *on screen-based* systems, while the breakdown of *barriers between* markets has spurred investor demand for a broader range of products.

Last year, four other European exchanges formed an alliance, known as First European Exchanges (FEX) designed to extend the customer base for their contracts. The London International Financial Futures and Options Exchange (Liffe), Europe's largest exchange, is continuing discussions with the Chicago Board of Trade over an agreement to list some of each other's products.

The Matif's decision to move at least some of its products on to the DTB's computerised system was influenced by the expense of trading less active contracts using the traditional open-outcry

Continued on Page 12
Lex, Page 12
Government bonds, Page 17

German finance official hits out at Bundesbank

By Peter Norman in Frankfurt

TENSION within the German economic policymaking establishment unexpectedly burst into the open yesterday when one of the most senior officials in the Bonn finance ministry publicly criticised the Bundesbank for not caring enough about slow growth and rising unemployment.

Mr Horst Köhler, the finance ministry state secretary, told a meeting of international officials and bankers that the Bonn government was worried about the capacity of western democracies *to live with persistently high* unemployment. In an unscripted *aside, he then said world growth* and high unemployment should be *considered more* in central bank council meetings.

His remarks, which were clearly targeted at the German central bank's high interest rates, caused an audible intake of breath among participants at yesterday's meeting of the G7 Council, a non-profitmaking body that promotes debate on international finance and trade issues.

The finance ministry's impatience with the independent Bundesbank's monetary policy may have reflected different *assessments of Germany's* growth outlook. Mr Köhler said *he "did not exclude the possibility of negative growth"* in Germany this year.

By contrast, Mr Helmut Schlesinger, the Bundesbank president, said there was "no reason for dramatising the situation" and forecast increased economic activity from the middle of 1993.

Bundesbank officials did not respond directly to Mr Kohler's outburst – that was left to Mr Wim Duisenberg, the Dutch central bank president, who reminded Mr Köhler that by law *the Bundesbank had to give a* higher priority to price stability *than achieving full employment.*

But in separate speeches both *Mr Helmut Schlesinger and Mr* Hans Tietmeyer, his deputy, stressed that the Bundesbank could not be blamed for Germany's high interest rates. These were the result of excessively high wage settlements and Germany's inability to bring its public sector deficits under control.

Both pointed out that Germany's long-term interest rates were below their average level for the past 25 years at around 7 per cent. *Mr Schlesinger also* indicated that the Bundesbank *was prepared to operate its monetary policy* with some flexibility. *But speaking shortly after official* gross domestic product figures showed *a decline in German* economic activity in the second half of 1992, he insisted: "Monetary policy should not be turned into a pacemaker for efforts to kick-start economic activity."

Slowing German growth, Page 12
Observer, Page 11

EC ministers due to have emergency talks over Bosnia

By Lionel Barber in Copenhagen and Kerin Hope in Athens

EUROPEAN Community foreign ministers were last night due to hold an emergency meeting in Paris to discuss the war in Bosnia *and the apparent* breakthrough on Tuesday night at the *Geneva peace talks.*

Mr Hans van den Broek, EC commissioner for external affairs, and Mr Uffe Ellemann-Jensen, Danish foreign minister, said they were encouraged by Bosnian Serb leaders agreeing to a peace plan put forward by Lord Owen and Mr Cyrus Vance, co-chairmen of the EC-UN sponsored conference.

Both said the EC had to be ready to pursue the "total isolation" of Serbia if aggression against Bosnia continued. Despite a relative lull in the Bosnian capital of Sarajevo, fierce Serb-Moslem clashes and battles between Croat and Moslem forces were reported across Bosnia.

Peace hopes kindled by the Geneva talks were also dented by the killing of a British soldier serving with UN peacekeeping troops in the region.

The soldier was the first British army fatality since troops joined the humanitarian aid effort in the former Yugoslav republic.

The Danish foreign minister explicitly ruled out massive military intervention in Yugoslavia as "not credible". He favoured tightening economic sanctions and severing all diplomatic contacts *and communications* with Serbia as a means to a negotiated settlement.

The prospect of a rupture between Greece and its European Community partners over Macedonia drew closer yesterday after the Danish presidency of the EC called for the UN to resolve the status of the former Yugoslav republic.

Mr Ellemann-Jensen said he believed the UN Security Council could reach a solution as early as next week, in which case Denmark was ready *to* recognise Macedonia.

"We have a *black spot* on our conscience," Mr Ellemann-Jensen said in Copenhagen. "We have reached the point where we cannot keep the lid on this (in the EC).

"We have to *look to the UN* for a solution."

Greece has held up EC recognition of Macedonia for almost a year.

Eleventh hour reprieve, Page 11

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UK soldier shot dead in Bosnia

By Ralph Atkins and David Owen

A BRITISH soldier was killed in Bosnia-Hercegovina yesterday, the first British army fatality since troops joined the humanitarian aid effort in the former Yugoslav republic.

The British government said UK forces would continue to supply humanitarian aid for the victims of the civil war in Bosnia, backed by reinforcements expected to be agreed by the British cabinet today.

The soldier was shot and killed while accompanying a convoy on the route between the Croatian coastal town of Split and Vitez in Bosnia.

The cabinet is today due to agree on the dispatch of extra forces to back up the UK's 2,400 troops in Bosnia, principally to increase protection for British soldiers.

Plans under discussion involve sending the aircraft carrier Ark Royal to the Adriatic with Harrier jets and Sea King helicopters, as well as an artillery battery to strengthen the capacity of British UN forces to respond to attack.

Mr John Major, the prime minister, said Lance Corporal Wayne Edwards, 26, "has lost his life in working to save the lives of many others". Downing Street said the risks of British involvement in Bosnia had never been underestimated.

Officials said the twin-track strategy of helping victims of the civil war while insisting that long-term peace in the former Yugoslavia requires a negotiated settlement would continue. "It is clear that we will carry on providing humanitarian aid," the prime minister's office said.

Mr Douglas Hurd, the foreign secretary, said British troops had saved many lives in the region, besides escorting 147 convoys delivering a total of 12,000 tonnes of humanitarian aid.

European Community foreign ministers were last night due to hold an emergency meeting in Paris to discuss the war in Bosnia and the apparent breakthrough on Tuesday night at the Geneva peace talks.

Mr Radovan Karadzic, the Bosnian Serb leader, was last night due in Belgrade, the Serbian capital, to put the Geneva peace plan to his parliament.

Mr Hurd said he welcomed developments in Geneva, but he cautioned that what counted was whether the Bosnian Serbs honoured the agreement. Mr Douglas Hogg, foreign office minister, warned that the Bosnian Serbs would face "ever deepening crisis" if the agreement signed by Mr Karadzic was not carried forward.

In Washington, the US secretary of state-designate, Mr Warren Christopher, said the US and other countries should put real economic and military pressure on Serbia to halt the war.

"This administration will vigorously pursue concerted action with our European allies and international bodies to end the slaughter in Bosnia," he said.

Mr Erich Honecker leaves prison yesterday before flying to Chile to join his wife and daughter. The 80-year-old former East German leader ended 169 days in prison after a constitutional court ruled he was too ill to stand trial, Leslie Colitt writes from Berlin. Mr Honecker has liver cancer and is not expected to live long. The court ruling said his detention was senseless as he would not survive until the end of the trial. He was charged with manslaughter over the fatal border shooting of 13 East Germans trying to escape to the west. Outside Moabit prison, a knot of supporters cheered the man they regard as an anti-Nazi hero.

Bonn agrees formula for joining UN forces

By Quentin Peel in Bonn

GERMANY'S ruling coalition agreed yesterday on a formula to change the constitution and enable German soldiers to take part in United Nations peacekeeping and peace-making operations.

The plan, which would also provide for such operations outside the UN umbrella, now has to win the support of the opposition Social Democratic party (SPD) to gain a two-thirds majority in parliament, if it is to become a constitutional amendment. It is planned to submit it to the Bundestag for a first reading tomorrow.

The sudden agreement, after months of negotiations between the coalition partners, follows the forthright call by Mr Boutros Boutros Ghali on Monday for Germany to play a full part in future UN operations.

The immediate urgency is that without such a deal, German air force personnel would be taken off Nato Awacs reconnaissance aircraft monitoring violations of the no-fly-zone over the former Yugoslavia, if the UN Security Council decided to enforce the zone. Without German personnel, the aircraft would be restricted in their operations.

Although the immediate reaction of the SPD to the plan was hostile, it will place the opposition in an embarrassing position of being seen to block a reasonable compromise if it votes against it.

The constitutional "amplification" proposed by the coalition, would add three paragraphs, distinguishing between UN peace-keeping operations, UN peace-making operations, and "exercising the right of collective self-defence in terms of Article 51 of the UN charter". German military forces would be enabled to take part in UN peace-keeping measures in accordance with UN Security Council resolutions, or as defined by the UN charter. They would also be able to take part in peace-making measures, provided they have been agreed by a Security Council resolution.

Both those measures would be subject merely to a majority vote in the Bundestag.

The most controversial proposal, however, is the third paragraph, which would allow "collective self-defence" operations outside the UN framework, provided they are carried out with other countries in the framework of "alliances and other regional agreements" to which Germany belongs.

The importance of the clause is that it would allow Germany to operate outside the Nato area with its alliance partners, or in the context of the Western European Union or a future European defence corps, without a full UN resolution.

Germany losing investor appeal

GERMANY is losing its attraction as a location for foreign investors because of high wages and corporate taxation, short working hours and strict environmental regulations, writes Quentin Peel.

Between 1986 and 1991 foreign investment in Germany totalled just DM20bn (£8.20bn), whereas German investment abroad reached almost DM130bn, according to the Institute for the German economy (DIW) in Cologne.

The survey of foreign subsidiaries operating in the country showed that in spite of the disadvantages, almost 70 per cent expected to maintain or even increase the level of their investment in Germany.

The main motives for foreign investors appear to be proximity to their (German) market and an ability to look after existing customers and open new markets.

Iceland EEA bid

Iceland's President Vigdis Finnbogadottir yesterday signed a law which paves the way for the country to join the European Economic Area (EEA), writes Christopher Brown-Humes in Stockholm.

The move follows parliamentary approval for the decision – by 33 votes to 23 with seven abstentions – on Tuesday night.

Iceland, which is a member of the European Free Trade Association (Efta) joins Sweden, Finland, Norway and Austria in seeking to join the EEA, a trade pact grouping EC and Efta countries. It is not seeking to join the EC, partly because of worries over fishing policy.

Swiss resignation

Mr René Felber, Switzerland's foreign minister, yesterday resigned, five weeks after his government's campaign to take the country into the European Economic Area (EEA) was rejected in a referendum, writes Ian Rodger in Zurich.

Mr Felber, who was treated for cancer last summer, said he was resigning because of his illness. He has been a fervent promoter of closer ties with the European Community. His successor is likely to be a member of the Democratic Socialist party and a francophone.

Czech price stance

The Czech government says it does not intend to reintroduce price controls despite a public outcry against sharp increases on basic foods following the introduction of value-added tax on January 1, writes Patrick Blum in Prague.

However, it plans a rise of 13.5 per cent in the minimum wage and an increase of 20 per cent in housing subsidies for the needy.

Mr Ivan Kocarnik, the finance minister, said it was too early to assess the full impact of VAT on prices, and that there were signs prices were already coming down after the initial rises.

Hungarian scams

Hungary has launched an offensive against the corruption and incompetence that have dogged the government's privatisation drive and endangered its support among the public, writes Nicholas Denton in Budapest.

The State Property Agency, the privatisation office, yesterday revealed five privatisation scandals where it has initiated investigations, or disciplinary or legal action. The targets include state company managers, consultants and even the agency's own officials.

Delors in Danish plea for EC unity

By Lionel Barber in Copenhagen

MR Jacques Delors, president of the European Commission, yesterday called for closer economic co-operation among EC member states, warning that recent turbulence in the European monetary system risked a relapse into the competitive devaluations of the late 1970s.

Without closer co-operation, the EC's plans for economic and monetary union by the end of the decade were in jeopardy, Mr Delors said after talks in Copenhagen between the Commission and the newly installed Danish presidency of the EC. He called for frank exchanges between EC economic and finance ministers – suggesting that the current status quo was unsatisfactory.

Mr Delors – occasionally viewed as a bit of a Napoleon figure in Denmark – was positively restrained yesterday. Asked whether he intended to help persuade Danish voters to approve the Maastricht treaty in a second referendum in the late spring, Mr Delors replied with a smile: "The less interference the better." Instead he launched an appeal for the growth package agreed at Edinburgh last month, calling it a crucial test of co-operation among member states.

This week the Commission agreed plans to create a new European Investment Fund and to expand the borrowing powers of the European Investment Bank to fund road, telecommunications and other infrastructure projects. EC officials are also looking to member states to maximise the impact of the growth initiative through closer co-ordination, particularly on shifting from current to capital spending. Mr Delors set a target date of mid-February for agreement.

Mr Poul Schlüter, Danish prime minister, identified the main priorities in his country's six-month presidency as the start of enlargement talks with Sweden, Austria, Finland, and hopefully Norway next month; the introduction of more transparency in EC affairs; and more subsidiarity – devolving decision-making to the lowest appropriate level.

The Danes also plan to hold a special conference, in Copenhagen on April 13 and 14, with central and eastern European countries, including Poland, the Czech republic, Slovakia, Hungary, Albania, Romania and Bulgaria, and the Baltic republics. The aim is to strengthen economic and political ties with these new democracies. Danish officials had earlier said the conference would be attended by Russia, Ukraine and Belarus, but this was a clerical error.

French urge restraint in Brussels monopolies policy

FRANCE'S public service utilities said yesterday they hoped Brussels' policy towards national monopolies would be less strict under the EC's new competition commissioner, Mr Karel Van Miert, writes Andrew Hill in Brussels.

Mr Van Miert himself says he will not shelve special Commission powers, which his predecessor, Sir Leon Brittan, used to attack national monopolies. But Mr Christian Stoffaes, a director of Electricité de France, said yesterday the utilities were expecting a change of style under Mr Van Miert, Mr Abel Matutes, the new energy commissioner, and Mr Martin Bangemann, the industry commissioner responsible for post and telecommunications.

Mr Jean-Louis Bianco, France's minister for transport and infrastructure, is expected to launch a new European public service charter, based on the French model, at a two-day conference in Brussels next month. The charter will be supported by public monopolies in road, rail, electricity, gas, telecommunications and postal services, and by

Van Miert: will not drop special powers

France's large private-sector utilities in the water and waste management fields.

Heralding the conference yesterday, Mr Stoffaes said: "The texts [for Commission competition policy] are obviously the large, Article 90 [of the Treaty of Rome] is still there, but the personalities, who have their own ideas, have changed."

Article 90 allows the Commission to end anti-competitive monopolies or exclusive agreements without member state approval. Mr Van Miert told the Financial Times earlier this week that the use of such powers was "not a taboo" for him. But he added: "Some essential elements [of public services] may remain the responsibility of public authorities, but other elements could be liberalised - we need to discuss that."

Business Environment Europe, which is organising February's conference, said it would provide an opportunity for public service companies to put across a positive message about the benefits of French-style utility management and regulation. The conference could provide the first opportunity for Mr Van Miert to flesh out his views on the use of Article 90.

Paris was a fierce critic of Sir Leon Brittan's attempts to break open public monopolies. It took the Commission to the European Court over earlier use of Article 90 to open up the telecom equipment market, but the court ruled that Brussels had not exceeded its powers.

RPR-UDF agree poll pact

FRANCE'S two main right-wing opposition parties yesterday settled two months' tough negotiations by agreeing to field joint candidates in 460 of the 577 constituencies represented in the National Assembly in next month's parliamentary elections, writes William Dawkins from Paris.

Of the remaining 117 constituencies, the Gaullist RPR and centre-right UDF will send rival parliamentary candidates to contest 84 seats, Mr Alain Juppé, RPR secretary-general, said. They have not yet decided how to organise their forces in the remaining 33 constituencies.

Initially, the right had hoped to limit to 50 the number of constituencies in which the UDF and RPR would fight each other, but internal rivalries pushed that number higher. "There will be a single candidate in 85 per cent of constituencies and organised duels in 15 per cent," said Mr Juppé, calling the accord a success.

Recent polls suggest the right would win a landslide 400 seats in the assembly, a far larger majority than achieved by the last right-wing government in 1986-1988.

Mr Juppé said that the RPR and UDF would publish a joint manifesto early in February, adding that there was a big overlap in economic policies.

Reactor plan is attacked

By Leyla Boulton in Moscow and Chrystia Freeland in Kiev

PRESIDENT Boris Yeltsin's environmental adviser yesterday attacked the government for approving a plan to resume building atomic power stations.

The Russian cabinet adopted at the end of last month the plan to build two new VVR-1000 reactors and one Chernobyl-style RMBK reactor by 1995. Prof Alexei Yablokov, Mr Yeltsin's adviser and a leading environmental campaigner, said he fought against the decision.

"I spoke desperately at the meeting but my remarks were ignored and it is tragic that even the ecology minister did not support me."

Prof Yablokov also accused the west of hypocrisy in offering to help with Russia's nuclear problems. The west was offering technical assistance and cash for Russia to build new plants and overhaul existing ones. But it would be safer and cheaper to help idle Russian defence plants convert to the production of gas turbines, Prof Yablokov said.

An atomic energy ministry spokesman said Russia could not afford the gas turbines option for now. The government decision had ended official indecision over nuclear power since the 1986 Chernobyl disaster, he added.

Prof Yablokov's remarks coincided with a fire yesterday at the Chernobyl nuclear reactor in Ukraine. Plant officials said there was no danger to public health in the latest of a series of incidents at power plants around the former Soviet Union. Officials said the fire was quickly extinguished and no radiation was released.

Row with Ukraine hits Russian debt rescheduling talks

By George Graham in Washington and Leyla Boulton in Moscow

RUSSIA has called off debt rescheduling talks with its western creditors, after failing to resolve its dispute with Ukraine over how to divide up the assets of the former Soviet Union.

Ukraine signed a protocol in November agreeing to relinquish its claim on most Soviet assets in exchange for Russia assuming responsibility for Ukraine's share of the estimated $67bn Soviet debt – the last of the former Soviet republics to accept this arrangement.

The agreement has since broken down, however, and now seems likely to delay a settlement with creditor nations, grouped in the Paris Club, by at least several weeks. Russia and Ukraine are due to begin talks in Moscow today and tomorrow on the deadlock with Ukraine.

Hopes have been raised that President Boris Yeltsin of Russia and President Leonid Kravchuk of Ukraine could resolve the dispute at their meeting tomorrow, but Russian officials have warned their western counterparts not to count on this.

Mr Alexander Shokhin, the Russian deputy prime minister responsible for the negotiations, yesterday said he still believed a rescheduling agreement could be reached by the end of the month. But he said that Russia would find it difficult to pay more than $3bn on servicing the debt of the former Soviet Union without cutting back on oil deliveries to other former Soviet republics

Mr Viktor Chernomyrdin, Russian prime minister, has agreed to roll back controversial price controls. The economics ministry said yesterday it was working on "significantly" shortening the list of goods affected by restrictions on enterprises' profit margins, writes Leyla Boulton.

The announcement follows moves by Mr Boris Fyodorov, the new deputy prime minister for economics and finance, to convince Mr Chernomyrdin that the decision sent the wrong signals politically about the government's determination to pursue market reforms.

in order to raise more hard currency revenues.

Previously Russia had appeared to move closer to its creditors' demands, agreeing last month to pay $4bn.

"We cannot exclude that the search for a mutually acceptable solution may require further high level meetings," Russia said in a letter to western debt negotiators.

Mr Olin Wethington, who has been in charge of the Russian debt negotiations at the US Treasury, called the breakdown "puzzling and unfortunate," and warned that the build-up of payment arrears was making it more and more difficult to reach a satisfactory solution to Russia's debt problems.

A Paris Club rescheduling of government to government debts would open the way for a parallel agreement with the London club, representing around 600 commercial bank creditors owed $20bn.

EC's chemical industry faces a difficult year

By Paul Abrahams

EUROPE'S chemical industry faces a tough year, with production growth rates slowing, exports falling and companies unable to push through meaningful prices rises.

The European Chemical Industry Council (Cefic) warned yesterday that profit improvements would only be generated through cost cutting, particularly labour.

Employment in the chemical industry, which fell 1.4 per cent last year, is set to drop a further 1.5 per cent over the next 12 months, it predicted in its annual forecast. Cefic estimates 2.1m people are directly employed by the industry in Europe.

Mr Richard Freeman, chief economist of Imperial Chemical Industries, as well as chairman of Cefic's economic appraisal committee, said output of chemicals had been surprisingly strong last year, growing at 2 per cent.

But the large additions to capacity, particularly in Belgium, the Netherlands, Spain and France, had led to a significant build-up of stocks. These were still rising from relatively high levels.

The weakening economies of west Germany, France and Spain would provide little to help the industry. Cefic estimated that West European GDP would grow at only 1 per cent this year. The outlook for manufacturing output of all European industry was bleak, and would fall 0.2 per cent by volume during 1993, said Mr Freeman. West German manufacturing output would fall 2 per cent over the same period,

WEST EUROPEAN CHEMICAL INDUSTRY OUTLOOK (percentage changes)

	Prices 92	Prices 93	Employment 92	Employment 93	Production 92	Production 93
West Germany	-2.0	0.0	-1.0	-1.0	1.5	0.0
France	-1.5	0.0	-1.0	-1.0	3.2	2.1
Italy	0.8	3.0	-2.8	-1.7	0.8	0.4
UK	1.7	3.0	-2.0	-3.3	0.5	1.5
Belgium	-1.0	2.0	0.0	0.0	7.5	4.0
Netherlands	-4.5	0.0	-4.0	-1.9	2.5	2.5
Spain	-0.5	-0.5	-0.2	-0.2	2.5	-1.0

Figures for 92 are estimates, for 93 are forecasts

he added. Demand for chemicals would rise only 0.9 per cent next year.

Prospects for the chemical industry were not promising, said Mr Freeman. In Europe, the US and Japan, chemical production was flat or on a downward trend.

US chemical production is set to fall from 5 per cent last year to 4.6 per cent over the next 12 months, although Mr Freeman said this would require a marked improvement in conditions over the next few months. Japanese production was static last year but will increase 1 per cent this year.

West European chemical production increased 2.2 per cent in 1992, but will fall to only 1 per cent this year. West German production will be static, while production should grow at 2.1 per cent in France, 0.4 per cent in Italy, 1.5 per cent in the UK, 4 per cent in Belgium, and 2.5 per cent in the Netherlands. Spain's production will fall 1 per cent.

All chemical sectors will experience a decline in the rate of growth in production apart from fertilisers and inorganics, according to the forecast. Even pharmaceuticals will slow, mainly because of government measures against drugs prices in Germany and Italy. Sales are expected to rise only 1 per cent in Germany, and will fall 2 per cent in Italy.

Europe's chemical industry will be unable to export its way out of trouble. Growth in exports is expected to decline sharply from 4.1 per cent last year to only 2.5 per cent.

Prices are likely to be flat in much of Europe, with no rises in west Germany, France and the Netherlands. In the UK and Italy they are expected to rise 3 per cent following devaluations last year. Prices should rise 2 per cent in Belgium, but fall 0.5 per cent in Spain.

Employment will fall as chemical groups attempt to control costs. In West Germany and France employment in the chemical industry will fall 1 per cent. In Italy it will drop 1.7 per cent, in the UK 3.3 per cent, the Netherlands 1.9 per cent and Spain 0.2 per cent. In Belgium, it should remain static.

Investment in the industry, which fell 4.9 per cent last year to about Ecu22bn (£17.8bn), is expected to fall another 3 per cent this year.

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Dunkel puts off top-level Gatt talks

By Frances Williams in Geneva

MR Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade, has postponed until next Tuesday a meeting of senior trade negotiators in the Uruguay Round of trade liberalising talks. The top level Trade Negotiations Committee had been planned for Friday.

The aim is to give US and European Community negotiators more time to edge forward on a tariff deal, which could then pave the way for early completion of the six-year-old Round. Trade officials want to present the Clinton administration, which takes office on Wednesday, with as much of the Round sewn up as possible.

However, it is now inevitable that a large amount of unfinished business will be bequeathed to the inexperienced Clinton trade team, and negotiators are not optimistic that the Round can be concluded in time to catch the March 2 expiry of the US administration's current negotiating authority.

US and EC officials said yesterday they would continue to work for a tariff agreement over the next few days, but both sides have said the other is not being sufficiently forthcoming. Mrs Carla Hills, President Bush's trade representative, and Sir Leon Brittan, the EC trade commissioner, spoke on the telephone on Tuesday after negotiations in Geneva reached an impasse, but officials yesterday were downbeat about the prospects for a deal.

The main stumbling-block remains textiles where the EC is demanding a 50 per cent cut in the highest US tariffs but is refusing US demands for a similar percentage cut in the Community's own lower tariffs.

Washington, which wants industrialised countries to scrap tariffs in a wide range of sectors, says Brussels is not offering enough on wood, aluminium, medical, scientific and agricultural equipment and electronic items such as semiconductors and photocopiers.

The Uruguay Round target is for overall tariff cuts of a third, but the US wants to do this through a series of sectoral deals while the EC prefers lowering tariffs across the board with bigger cuts for high tariffs.

The two sides expect to meet again today when Mr Dunkel will also resume talks with a core group of about 20 countries to take stock of other outstanding issues in the Round. Most of these concern the US, but India is challenging the terms of the draft textiles accord and Japan and South Korea object to opening their closed rice markets.

Deals in E Europe tending to be bigger

WESTERN multinationals are increasing the scale of their involvement in eastern Europe, with increasing numbers of "mega-deals" worth hundreds of millions of dollars, writes Frances Williams.

The United Nations Economic Commission for Europe* has identified 14 joint ventures since early 1991 in which western multi-nationals plan to invest a total of $10.2bn (£6.7bn); six of the biggest acquisitions will cost western companies more than $2.1bn in all.

The true value of large-scale deals by foreign companies may be much higher, the ECE says, since the figures are often not divulged.

The favoured recipient of these "mega-deals" has been the then Czech and Slovak Federal Republic, followed by Hungary, Poland and Russia.

The ECE also notes that while the prominent role of German investors in the region has sometimes come in for criticism, the groups involved in the biggest projects are often American.

US companies – Conoco, Philip Morris, International Paper Company, Kay Universal, General Electric and K-Mart – were responsible for six of the top 10 acquisitions in central and eastern Europe.

The biggest western investor in eastern Europe appears to be Conoco, which is paying $1bn for a Polish acquisition and plans to invest $4bn in a Russian joint venture. Most large-scale projects are concentrated in the car, oil and petrochemicals industries, the ECE says.

In general, however, foreign investment projects in eastern Europe are undertaken by small and medium-sized companies on a relatively small scale. By October 1992 the ECE had recorded 52,700 projects involving foreign capital of $12.4bn.

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EC and Japan seek to monitor trade

By Andrew Hill in Brussels

JAPANESE ministers and EC commissioners will try to reach agreement tomorrow on how to monitor bilateral trade between the EC and Japan – a move the Commission believes could indirectly help reduce Japan's growing trade surplus with the Community.

Commissioners begin informal meetings with five Japanese ministers today in Brussels, in preparation for tomorrow's formal discussions on political and economic relations between the EC and Japan.

The Japanese group is headed by Mr Michio Watanabe, deputy prime minister and foreign minister, and Mr Yashiro Mori from the Ministry for International Trade and Industry (Miti).

Officials in Brussels said yesterday that setting up a working group to monitor Japan's growing trade surplus with the EC would allow the Community and Japan to spot if structural barriers were keeping EC producers and products out of the Japanese market.

Figures for January to November 1992 show a surplus of $29.2bn (£19.2bn) on trade with the EC – 17.2 per cent up on the equivalent period.

A working group was first proposed by the EC last May, as part of an effort to develop the 1991 EC-Japan declaration on political and economic co-operation. Attempts to improve monitoring have been thwarted since then by disputes about the proper statistics to use. But Japanese officials said yesterday they thought agreement would be reached on the establishment of such a group, although it might prove more difficult to fix the experts' "terms of reference".

The Commission is also expected to urge Japan to avoid signing bilateral agreements which might discriminate against other trading partners, such as Japan's free-trade pact with the US on semiconductors.

China sets sights on Peruvian industry

Sale of iron producer highlights potential, writes Sally Bowen

CHINA made its largest single investment in Latin America with its recent purchase of Peru's state-owned iron producer, Hierro Peru, acquired by Shougang Corporation for $312m (£205m)

Already China's largest steel producer, Shougang has set itself the goal of becoming world leader in steel production, projecting output in excess of 20m tonnes by the end of the century. The Peruvian purchase aims to ensure raw materials supply for the expanding steel industry.

Shougang was determined to secure the iron producer as the offer price dramatically exceeds the Peruvian privatisation office's most optimistic expectations. It more than quadruples the entire revenue earned last year from sell-offs of state-owned assets.

"We should be jumping for joy," said former Peruvian trade and industry minister, Mr Victor Joy Way, an expert in Asian trade and the son of Chinese immigrants. Mr Joy Way says several delegations of Chinese entrepreneurs have recently visited Peru. The Chinese are "interested in investing in anything and everything," he says.

Electricity generation (possibly from Chinese-patented "liquefied coal"), heavy machinery, petrochemicals and telecommunications are among possible priority sectors.

Several factors have come together to propitiate this commercial alliance. Peru's economic and (relative) political stability plus recent progress towards curbing terrorist violence have coincided with a greater openness on the part of China and a need to seek raw materials and markets abroad.

> 'We in China find Peru more interesting every day. . Many Chinese companies are preparing to invest here in future'

"We in China find Peru more interesting every day," said a senior Shougang executive at the auction. "Many Chinese companies are preparing to invest here in the near future – we are just the vanguard."

Shougang's bid had Peru's new breed of economic liberals bristling at the irony of a what is essentially state enterprise leading the field in their country's long-awaited privatisation process. But Shougang's investment including a steel mill and associated industrial complex to manufacture spare parts should provide a boost for Peru's recession-hit economy.

One of Hierro Peru's attractions for Shougang is the deep-water port of San Nicolas which serves the Marcona mine. Shougang has a huge shipping fleet and, as iron output increases, will deploy 30 ships full-time ferrying coal and iron between Peru and China.

Possibilities for future development of sea-freight services are virtually limitless, say Lima-based representatives.

Shougang is one of China's largest conglomerates. Among more than a dozen different economic activities, its prominent interests are in steel-making, machinery and equipment manufacture, shipping, minerals processing and electronics. According to Shougang executives, the conglomerate owns over a 100 factories and 16 transnationals in a dozen different countries. Its direct workforce exceeds 200,000.

Shougang's current steel-making capacity is for 10m tonnes a year, and it produces 200,000 tonnes of machinery. It exports to some 40 countries, and foreign exchange earnings are expected to top $350m this year. Global sales are forecast to reach $4bn a year by 1995.

Modern-day trade relations between Peru and China began in 1972, during the left-wing military government of General Juan Velasco. Since China is a major buyer of Peruvian fishmeal, the trade balance has always strongly favoured Peru. Last year Peru exported products worth $291m to China; imports were only $33m.

Chinese trade officials in Lima say this pattern is likely to continue. Increased shipping movements between the two countries could provide Peruvian minerals with an expanded outlet in Asian markets.

Following a visit to China last year by President Fujimori several new credit lines were extended.

These have recently resulted in a major purchase by Peru of Chinese tractors. In the next six months, Peru's tractor stock will be increased by around 40 per cent with the arrival of some 3,000 Chinese-built tractors worth around $25m. Many of the sewing-machines which Mr Fujimori hands out on electioneering visits to the remote Peruvian hinterland are also Chinese-made.

Shougang representatives in Lima say that, within a couple of years, Peru could be building sought-after "Chinese" tractors for export to other Latin American countries.

Nuremberg power order awarded

By Andrew Baxter

TWO GERMAN subsidiaries of GEC Alsthom, EVT and MAN Energie, have won orders totalling DM575m (£237m) to design and supply equipment for a planned extension to a power station near Nuremberg in Bavaria.

The orders are from Grosskraftwerk Franken for its Franken II power station at Frauenaurach. The coal/gas fired extension is planned to meet the expected increased demand for electricity in the industrial region of Nuremberg in the second half of the 1990s.

EVT will supply a low-emission steam generator and waste heat recovery boiler, while MAN Energie will supply a 605MW steam turbine.

Hassan seeks to tie country to rich north

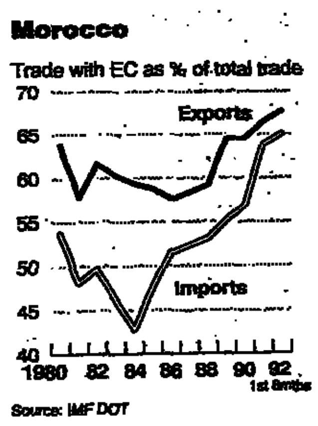
Morocco sets sights on EC

By Francis Ghilès

KING Hassan of Morocco's intention, declared five and a half years ago, of applying for his country to join the European Community was greeted among many officials in Brussels with a mixture of incredulity and scorn. On Christmas eve the EC Council of Ministers gave senior officials permission to negotiate with Morocco a treaty of partnership modelled on those with central Europe.

But unlike the agreements with Poland, Hungary and the former Czechoslovakia which may lead to eventual membership, any accord with Morocco will only lead to a closer, but as yet undefined, partnership.

The disarray in the Maghreb Arab Union – Algeria, Libya, Mauritania, Morocco and Tunisia – is the key factor behind this change. The EC would have preferred to develop relations with all five members, but Libya is in international quarantine, while the deep crisis in Algeria does not allow for any new policy initiatives.



Source: IMF DOT

Morocco conducts more than half its foreign trade with EC countries and is attracting an ever-increasing flow of foreign investment, notably from Spain and France. Its senior officials say they are prepared to bring down tariffs on industrial products but the quid pro quo would be free access for Moroccan fruit and vegetables, notably citrus fruit. Morocco's comparative advantage, the high quality of what it produces and the labour-intensive nature of such activity, which provides jobs for Moroccans at home and helps curtail emmigration, all plead in favour of a bold European move.

King Hassan's strategic aim is to try to tie his country to a rich and stable north rather than a fragmented Maghreb. Such links will be complemented by a pipeline planned to carry Algerian gas to Spain via Morocco.

Baghdad has repaired its military infrastructure but is not ready for a large-scale conflict

Allies attack Saddam's rebuilt air defences

By David White, Defence Correspondent

THE allied air attack on southern Iraq yesterday comes as Baghdad was showing unmistakable signs of renewed military confidence. There have been intensive efforts to repair the damage done to the country's armed forces and defensive infrastructure by the US-led coalition two years ago.

Western experts say lack of access to spares and new equipment has precluded a recovery of military firepower, in sharp contrast to the build-up of new Russian and other weapons in neighbouring Iran.

But President Saddam Hussein is thought to have given high priority to rebuilding Iraq's shattered network of air defences.

Even at the expense of sustaining further damage, he would relish the propaganda benefit both internally and in the Arab world if his forces succeeded in shooting down attacking US, British or French aircraft.

However, experts see no indication that Iraq is contemplating a large-scale military engagement.

In spite of the latest rhetoric from Baghdad suggesting renewed ambitions over Kuwait, there has been no evidence of force movements to suggest any such drastic step.

Mr David Bolton, director of the London-based Royal United Services Institute for Defence Studies, said that President Saddam appeared to be aiming at gaining support among other Islamic states by provoking the US and its allies into making an attack on questionable authority.

Alternatively, if the coalition forces decided against an attack, his calculation would be to influence neighbouring countries by this show of political strength.

Either way, he said, President Saddam's tactic was above all an attempt to undermine the sanctions regime and avert further economic decline, which could threaten his own survival.

Iraq has been unable to replace the heavy equipment destroyed by allied bombing in early 1991 or captured at the end of the war. These included some 3,000 tanks, more than 1,800 armoured vehicles and more than 2,100 artillery pieces.

Under the ceasefire terms, it had to submit lists of stocks and equipment relating to its chemical, biological and nuclear weapon programmes as well as ballistic missiles with ranges of more than 90 miles.

All these have been in the process of destruction. But Iraq is suspected by western intelligence of hiding Scud-B missiles from the inspectors. It initially declared holdings of 52 missiles – all but one being longer-range Al-Hussein variants of the Scud – and subsequently admitted to a further 92.

Iraq bought more than 800 Scuds from the Soviet Union during its 1980-88 war with Iran. It is uncertain how many it had left after that war and the 1991 Scud attacks on Israel and Saudi Arabia, especially since a number were cannibalised to build the extended-range versions.

However, some analysts think it unlikely President Saddam would resort to using Scuds now, since that would instantly betray a breach of UN terms.

Iraqi armed forces have been regrouped. The military leadership has been reshuffled and the army streamlined into about 30 armoured, mechanised and infantry divisions, compared with more than 50 at the time of the 1990-91 Gulf crisis.

The country is still reckoned to have some 2,000 battle tanks and 2,000 artillery weapons, including Brazilian-made rocket launchers. Up to half of Iraqi land forces are currently believed to be deployed in the north of the country.

In air strength it clearly remains extremely vulnerable. More than 100 of its combat aircraft were destroyed on the ground in the 1991 war, 35 were lost in combat and 112 went to Iran and have not been returned.

It is left with about 300-350 fixed-wing combat aircraft including some capable fighters such as the Mirage F-1 and MiG-29 but mostly of older vintage and in poor condition. They are no no match for the western aircraft deployed in Saudi Arabia, aboard the aircraft carrier USS Kitty Hawk in the Gulf and in southeastern Turkey.

Iraq has, however, no lack of airfields to operate from. It has about 30-40 major air bases, has done a lot of work to repair bomb damage and has started to rebuild hardened aircraft shelters targeted by allied precision bombers.

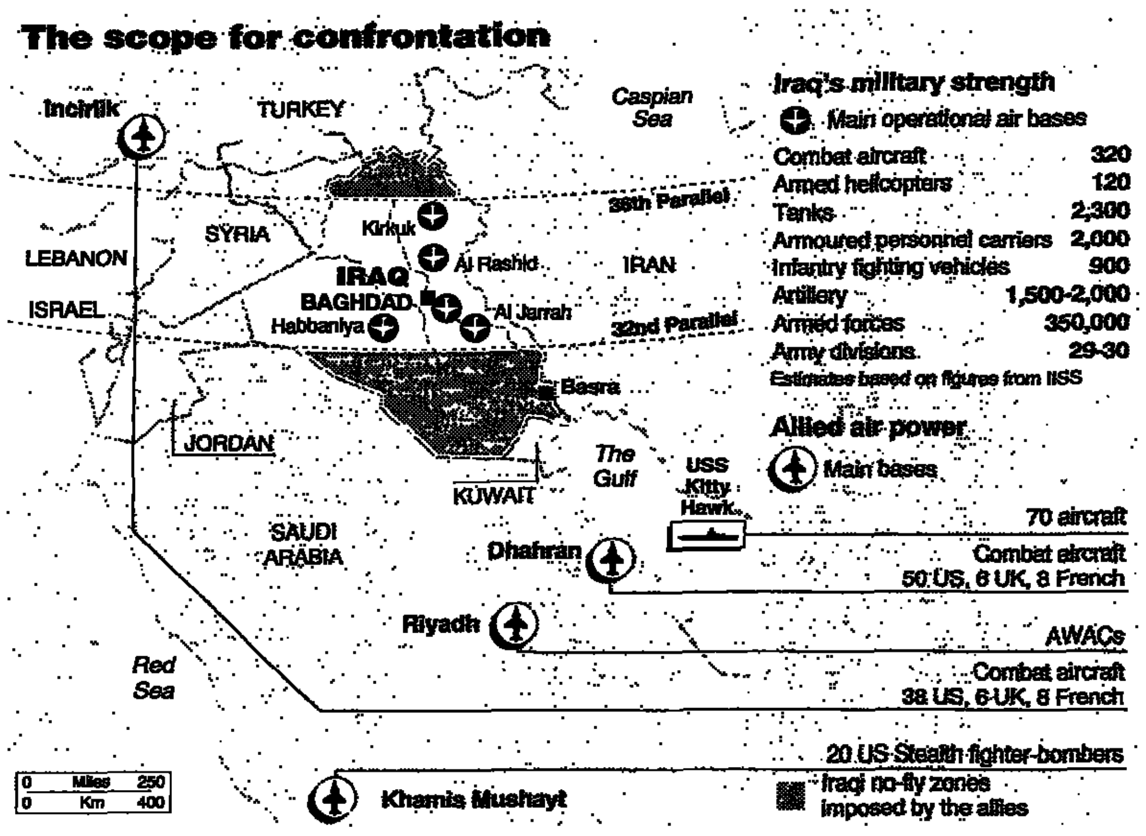
Military communications and other infrastructure have also been restored. Stocks built up before the 1991 war are thought to have been used to rebuild air defences.

Iraq has large numbers of anti-aircraft guns – some 5,500, according to the International Institute for Strategic Studies – and the allies are considered unlikely this time round to run the risk of low-level attacks.

The Iraqis also possess sizeable stocks of mostly Soviet-supplied air defence missiles, although many of these are of 1960s vintage.

These include the batteries that recently provoked wrath at the UN when Iraq deployed them in the no-fly zone patrolled by western aircraft south of the 32nd parallel.

The scope for confrontation



Turkey loses taste for fresh action

By John Murray Brown in Ankara

TURKEY, a robust member of the anti-Baghdad coalition in the retaking of Kuwait in 1991, has shown little enthusiasm for the renewed allied military action against President Saddam Hussein in the run-up to yesterday's action.

It is concerned at possible Kurdish gains in the north of the country, where Kurds have established a *de facto* government under the umbrella of allied air deterrence.

Ahead of Prime Minister Suleyman Demirel's planned visit to Syria and the Gulf states next week, where Turkey is forging closer ties, officials have been reluctant to express reservations over US action.

However, at the public level there is growing bitterness over the west's and particularly the US's foreign policy priorities at a time when it is sending troops to Somalia, threatening Baghdad with renewed air strikes yet ignoring Serbian atrocities against Moslems in Bosnia-Hercegovina.

One newspaper even suggested the recent US relief mission was to secure Somalia's oil rights.

"The same treatment should be given to Saddam Hussein in Iraq and to Milosevic in Bosnia-Hercegovina," one commentator wrote in Sabah, the largest Turkish newspaper. Zaman, the Islamic daily, criticised the US for banning Iraq from "taking military measures on its own soil. This is a violation of Iraq's sovereignty rights".

As long as the danger was confined to the south of Iraq, Turkey voiced diplomatic concern at Iraqi violations of UN ceasefire and other resolutions. But Turkey has suffered economically from Iraq's political and economic isolation, and has long argued that Baghdad should comply as a first step to being accepted back by the international community.

However, the news that anti-aircraft missiles have also been deployed inside the no-fly zone established above the 36th parallel in the north means Turkey may come under pressure to provide bases for US and allied aircraft.

Opposition supports strike

THE OPPOSITION Iraqi National Congress (INC), made up of liberal Arabs and Kurds, last night expressed support for allied military action against Iraq, writes Gareth Smyth in London.

"Any military strike that weakens Saddam Hussein will be welcomed by the Iraqi people," said spokesman Ahmed Chalabi. "The noose must be tightened around him."

An INC statement issued in London called for the creation of a UN-guaranteed security zone in south Iraq; for the immediate convocation of a tribunal to try Mr Saddam for crimes against humanity; and for the United Nations to take over direct responsibility for all humanitarian assistance from Mr Saddam's regime.

Arab hostility divided between west and Iraq

By Roger Matthews, Middle East Editor

FEW Middle East governments have any sympathy for President Saddam Hussein, but the resumption of allied air attacks on Iraq are likely to reawaken smouldering Arab resentment against what is seen as a highly selective western response to the enforcement of UN Security Council resolutions.

The fault lines that divided the Arab world during the Gulf war nearly two years ago already show signs of re-emerging. Even before the attacks were launched the lower house of the Jordanian parliament was voicing concern.

"The new provocations are a continuation of the injustice inflicted on the Iraqi people since the start of the 1991 Gulf war," said lower house speaker, Mr Abdul-latif Arabiyat. "We hope this abuse against Iraq and the Arab nation will stop soon."

Jordan's government has yet to make any official comment and several officials said they did not expect a formal statement, at least for the time being. "It is a very delicate issue and any word could be taken out of context so let us not rush things," one official said.

King Hussein's efforts to persuade the US and its allies not to launch an all-out attack on Iraq two years ago cost him temporarily the respect he had enjoyed in Washington and placed the monarch in the same camp as the Palestine Liberation Organisation, Libya, Sudan and Yemen.

However the king's position accurately reflected the sentiments of many Jordanians who revelled in Saddam Hussein's willingness to stand up to the US and to fire missiles at Israel. The Iraqi leader may not be able to count on quite such public sympathy on this occasion. But with more than 400 Palestinians suffering on a hillside in southern Lebanon and Israel defying a UN resolution to take them back, the US-led action against Iraq is bound to inflame radical opinion.

How strong and widespread that opinion is will in part depend on the extent and severity of the allied attacks and whether there are civilian casualties.

This will also have an impact elsewhere in the region, not least in the Gulf itself where hostility to Mr Saddam is tempered by deep anxiety over Iraq being dismembered as a result of the two air exclusion zones. The US, Britain and France took many days last summer to persuade Saudi Arabia of the necessity of sending allied aircraft back to the kingdom in order to police the southern no-fly zone.

Bahrain, home for the British Tornado aircraft during the Gulf war, has since made clear its desire not to cut all links with Baghdad and remains deeply troubled by the rash of border disputes which have broken out in the region, particularly among the six members of the Gulf Co-operation Council - Saudi Arabia, Kuwait, Bahrain, the UAE, Qatar and Oman.

The six came together impressively following the Iraqi invasion of Kuwait but there is likely to be less harmony over whether the latest challenges by Mr Saddam to the UN warrant a renewal of military action. Only Kuwait appears to be unreservedly behind the US-led response.

Lurking just beneath the surface in many Arab countries is the impact renewed western intervention will have on populations where Islamic fundamentalists appear to be gaining strength. Egypt, where the tourist industry has been damaged by extremist terrorism, has launched large police actions to root out dissidents which it says are being supported by Iran. Elsewhere, including the Arab territories occupied by Israel, there is evidence that fundamentalist factions are gaining ground.

For them, just as for Iran after the overthrow of the Shah, the US is seen as a vital element in maintaining the regimes against which they are struggling. The efforts of Iran's President Hashemi Rafsanjani to introduce a more pragmatic foreign policy will not benefit from last night's attacks.

UN hopes for brief operation

By Michael Littlejohns in New York

UNITED NATIONS delegates greeted news of the air strike almost with a sense of relief that the allies had finally taken action to call President Saddam Hussein to account for his persistent defiance of Security Council resolutions.

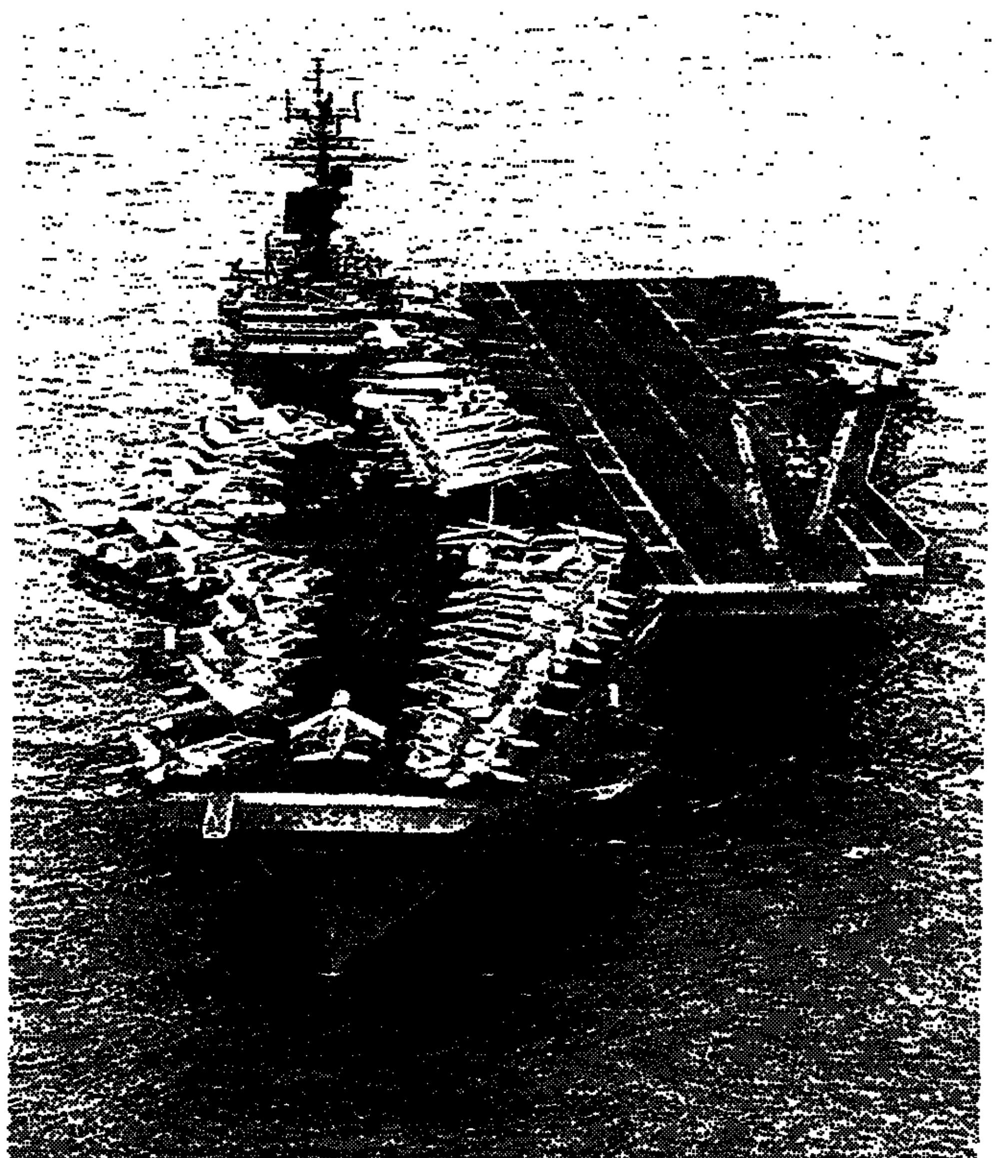
At the same time, several third world members voiced the hope that the operation would be brief and confined exclusively to strikes against military targets.

The US formally notified the president of the Security Council, Mr Yoshio Hatano of Japan, that the allies had resumed hostilities.

There was no immediate response from the president's office. Mr Hatano had said earlier that he was willing to engage in "a dialogue" with Iraq, as was proposed late on Tuesday by Mr Nizar Hamdoon, the Iraqi ambassador.

Yesterday Mr Hamdoon said his country was halting the removal of materiel at the Umm Qasr naval base which lies partly in Kuwait, but it was unclear whether that decision preceded the allied military action.

Mr Boutros Boutros Ghali, UN secretary-general, was in Paris yesterday where he discussed the Iraqi crisis, among other issues, with Mr Lawrence Eagleburger, the US secretary of state, who is also visiting the French capital.



WAR MACHINE: The American aircraft carrier USS Kitty Hawk cruises somewhere in the Gulf. The ship is base for 75 warplanes which have been flying regular missions over Iraq to enforce the no-fly zone south of the 32nd parallel

Moi's new cabinet fails to inspire foreign confidence

By Julian Ozanne in Nairobi

KENYAN president Daniel arap Moi yesterday announced a new cabinet which is unlikely to inspire domestic or foreign confidence in his adminstration.

Initial reactions from western donors, who are hoping for positive signals from the government on economic reforms and clean government before resuming about $400m (£261m) of suspended aid, were negative.

The president, who has struggled to put together a competent cabinet since his narrow victory in marred multi-party elections last month, yesterday formed a government which rewarded the tribes and personalities which gave him support at the polls.

Kenya's two most dominant tribes, the Luo and the Kikuyu, were largely excluded from cabinet posts after voting against Mr Moi and the ruling party Kanu in the elections which saw 15 ministers defeated.

Mr Moi retained some of the defeated ministers by using his power to nominate 12 members of parliament.

Moi: rewards for poll support

Western donors who were hoping Mr Moi would use his post-electoral opportunity to sweep out discredited politicians and battle corruption and economic mismanagement were disappointed.

"It's a hard-line Kanu government without any sign of being able to build consensus," said one senior western economist. "We can't expect better economic policy from this bunch. Moi's wasted a golden opportunity."

Professor George Saitoti remains Vice President but Mr Moi removed him from the finance post replacing it with planning and national development. Mr Musalia Mudavadi, a 32 year-old politician from western Kenya, becomes the new finance minister.

"This means Moi and Saitoti unfortunately keep control of economic policy," said the economist.

In the new trimmed cabinet of 25 ministers nine former ministers were reappointed. Two of the nine, who were trounced in last month's elections, retained cabinet posts after Mr Moi nominated them to parliament. They are Mr Joseph Kamotho, education minister, and the only Kikuyu in the cabinet and Mr Dalmas Otieno, transport minister, the only Luo minister.

The new cabinet shows a continuation of Mr Moi's policy of ethnic balancing but it has a heavy bias towards the president's Rift valley province, home to his Kalenjin tribe and other minority pastoral tribes such as the Masai.

Also rewarded strongly are the Kamba tribe from eastern province, the Luhya from western province, and the Kisii from Nyanza province..

Violence in Bombay subsides

ELEVEN people were killed in an eighth day of Hindu-Moslem clashes in Bombay yesterday, and hospitals reported at least 500 had died in week-long rioting in India's commercial capital, Reuter reports from Bombay.

Security forces relaxed curfews imposed on riot-hit areas for six hours and Bombay police chief Shreekant Bapat said the level of violence was substantially lower than over the past few days.

"There is a very substantial improvement in the overall situation. This is reflected by more and more people and buses on the roads."

Defence minister Sharad Pawar ruled out imposing a state of emergency in the city of 12m people, which had been suggested by business leaders and editors who saw in the riots a concerted attempt to drive out Moslems.

He told a press conference that the city was returning to normality after a week of frenzied riots in which hundreds of people have been stabbed, and countless homes, cars and shops set ablaze.

Mr Pawar said it would take another two or three days to restore order completely.

Decision to review peace constitution

By Charles Leadbeater in Tokyo

THE Japanese government yesterday decided to open up the country's most sensitive political issue, the future of its post-war peace constitution, by approving plans for a bi-partisan commission to review it.

The decision is likely to spark a vigorous debate over the merits of the key Article Nine in the 1947 constitution which renounces war, as well as the threat of, or use of, force to settle international disputes.

The debate will crystallise positions within Japan on how it should develop a wider international role in the wake of the end of the cold war.

Mr Hiroshi Mitsuzuka, chairman of the ruling Liberal Democratic Party's policy affairs council, who proposed the commission, said revisions to the constitution would be necessary if Japan was to respond to its allies' calls for it to play a larger role in peace-keeping operations undertaken by the United Nations.

Mr Mitsuzuka is backed by several other LDP leaders including Mr Michio Watanabe, the foreign minister, Mr Seiroku Kajiyama, the party's powerful general secretary, and Mr Ichiro Ozawa, the young former general secretary who recently founded his own faction.

The Socialist party, which has traditionally opposed revision of Article Nine, has recently indicated it is prepared to reconsider the issue.

However, older LDP leaders, led by Mr Kiichi Miyazawa, the prime minister, are opposed to tampering with the constitution. Significantly, the decision to set up the commission was taken in Mr Miyazawa's absence on a tour of South-East Asia.

The debate will be as tortuous as it is heated.

The government last year passed a bill, only after two years of wrangling, which would allow Japanese troops to be sent abroad.

Any revision to the constitution would it in itself mark an important step for Japan towards a more independent foreign policy.

The constitution has never been amended since it was introduced by the US occupying force after the Second World War.

Amendment would require the support of two-thirds of both houses of the Japanese parliament.

Japan's rulers set to boost economy

By Charles Leadbeater

JAPAN'S ruling Liberal Democratic Party yesterday began clearing the way for an additional stimulus to the ailing economy.

The party agreed to set up a task force to consider plans to revive an economy only being saved from outright recession by expansionary public spending.

The task force, the LDP's response to mounting business pressure for tax cuts, is expected to propose new measures to be implemented after the 1993 budget is approved in early April.

The group is to be headed by Mr Hiroshi Mitsuzuka, chairman of the LDP's policy research council, who recently made outspoken attacks on official complacency over the state of the economy.

The group will provide a powerful counterweight to the influence of the finance ministry which is opposed to higher government spending to finance tax cuts, and the Bank of Japan, which insists another interest rate cut must follow in the wake of a further fiscal stimulus.

The task force will focus on plans for a supplementary budget to augment the Y72,400 (£383bn) draft budget which will provide only a 0.2 per cent rise in general public spending.

Top business organisations are pressing for a tax cut package to revive consumption and investment. Japan's international trading partners are likely to call on it to stimulate domestic demand to cut its ballooning trade surplus.

Demands for tax cuts will intensify with the traditional spring wage negotiations in which employers will insist on a low increase.

The Japan Federation of Employers' Associations has urged its members to award no more than 2.3 per cent rises, in guidelines for bargaining agreed this week.

Rengo, the largest trade union federation, has called for a 7 per cent rise.

Low wage rises will dampen consumption which ended the year badly depressed, figures published yesterday show. Tokyo department store sales in December were 11.2 per cent down on the year before, the largest ever annual fall.

Sales in Tokyo department stores, for the past year as a whole, were 5.7 per cent down on 1991.

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NEWS: THE AMERICAS

Christopher pledges backing for business

By Jurek Martin in Washington

THE US secretary of state-designate, Mr Warren Christopher, yesterday promised to give economic concerns and the promotion of US commercial interests overseas a much higher profile in his conduct of foreign policy.

Economic competition, he told the Senate foreign relations committee in a confirmation hearing, was eclipsing ideological rivalry as an essential ingredient in world affairs. "For too long, we have made economics the poor cousin of foreign policy."

He said US embassies needed more than just one commercial officer helping US companies. Equally, the former Soviet republics and the countries of eastern Europe should have greater US public and private commitment and expertise in order to facilitate their transitions into market democracies.

Mr Christopher's prepared testimony, the delivery of which was delayed by opening and mostly complimentary statements by committee members, made much of the imperative to connect domestic and foreign policies. "I have long thought the State Department needs an American desk – and I'll be sitting at that desk."

He offered no new doctrine to guide foreign policy, but spoke of three fundamental realities – pursuit of economic growth, maintenance of a strong and adaptable military, and a commitment to "build democracy from the bottom up" around the world.

The use of force overseas, he said, was "a vexing question." Its deployment should generally be "discreet and careful" and the threat of its use "credible". The Cold War had been won by "harnessing diplomacy and power together", he said.

Mr Christopher added that the UN could not be an effective instrument unless it had full US support – and he promised that the US would pay its outstanding arrears.

In his tour d'horizon, Mr Christopher also promised:

- Support for the reform process in Russia and other former Soviet republics and satellites, conditional on their acceptance of the principles of a market democracy. Collapse of the Russian economy "could fatally discredit democracy".
- Continued commitment to Nato while new security structures in Europe were evolving, hopefully to include eastern European nations.
- To do what was necessary to ensure "a peaceful and broad transition to democracy" in China, which, he said, was economically booming but still created problems in its human rights and weapons sales policies and trade protectionism.
- Particular attention to Japan, with the purpose of ensuring together that regional trading blocs militating against global growth were avoided.
- "Unswerving" commitment to the security of Israel and the Middle East peace process.

At the end of his testimony, Mr Christopher also addressed one issue that has cast a minor cloud over his nomination: what he knew, while deputy attorney general in the late 1960s, of covert domestic surveillance by the US Army.

He said he had no knowledge of the kinds of activities that emerged after he left office, he stood by his testimony to the Senate foreign relations committee in 1977, and would not tolerate such activities by his State Department.

Warren Christopher: Economic competition is eclipsing ideological rivalry as an essential ingredient in world affairs.

Brazil's leader begins shake-up of privatisation

By Christina Lamb in Rio de Janeiro

BRAZIL's President Itamar Franco has taken control of privatisation away from the National Development Bank (BNDES) in the first step of a shake-up of the programme. Last night he was expected to sign an extensive decree altering the programme's rules and changing the composition of the privatisation commission.

The programme, begun in 1991 by former President Fernando Collor, has always been run by the Rio-based National Development Bank. However, Mr Franco, a past critic, apparently wants more influence over the programme, which he suspended on December 15 but has promised to restart in March after a thorough review.

Mr Antonio Barros de Castro, recently appointed BNDES president, is known to have annoyed Mr Franco by recommending last week that the previous rules be maintained for the sale of the 35 companies already slated for privatisation by the Collor administration.

The new head of privatisation will be nominated by Mr Franco only after Congress has approved the new commission members.

Mr Jose de Castro, the president's legal adviser and his main consultant on privatisation, yesterday dismissed investor fears that the programme would not be restarted and insisted the next sale would go ahead on March 10 but under new rules.

The decree prepared for Mr Franco's signature by Mr Paulo Haddad, the planning minister, and Mr Jose de Castro is expected to leave to presidential discretion on a case-by-case basis the issue of a minimum cash participation in the sales. Until now almost 99 per cent of the \$4bn (£2.6bn) raised through privatisation has taken the form of domestic debt.

According to Mr Jose de Castro the objective of the new rules is "to guarantee more transparency and legal security. All sell-offs done so far have been *sub judice* because of badly elaborated decrees and unclear regulations".

IDA to sharpen focus on poverty

By Michael Prowse in Washington

THE International Development Association (IDA) – the World Bank's concessional finance affiliate – will focus more directly on specific measures to reduce poverty and promote environmentally sustainable development, Mr Lewis Preston, the bank's president, pledged yesterday.

The IDA provides highly concessional loans for the poorest countries – those with per capita annual incomes of \$765 (£503) or less.

Mr Preston said the share of IDA resources devoted to social projects and direct poverty reduction would be steadily increased. He said poor people affected by programmes should play a bigger role in helping design projects.

His restatement of IDA goals followed formal board approval of the 10th replenishment of IDA resources, covering the three years starting this July. Donor nations have agreed to provide SDR13bn (£11.83bn). This represents a small increase in resources compared with IDA 9, which was SDR11.7bn.

However, in per capita terms the latest replenishment is less generous than IDA 9 because funds will have to be spread over more recipients; newly qualifying nations include several former Soviet republics. Donors also failed to provide an additional "earth increment" to fund more ambitious environmental policies.

Mr Preston praised donors for not forgetting the needs of the poorest countries, in spite of severe budgetary restraints at home. Officials said the overall replenishment would have been smaller but for a surprisingly large commitment from the Bush administration, which pledged \$3.75bn, nearly 20 per cent more than its dollar contribution to IDA 9.

Britain's contribution of £620m represented only 6.1 per cent of total resources committed, down from 6.7 per cent of IDA 9.

Bahamas' former leader blamed for economic turmoil

'Fiscal recklessness' is claimed as public indebtedness soars, tourism declines and offshore financial services face stiff competition. **Canute James** reports

THE once-vibrant economy of the Bahamas is looking shaky. Prime Minister Hubert Ingraham, elected in August, has been very firm about where the blame lies: his predecessor, Sir Lynden Pindling, who had held office for 25 years.

Mr Ingraham has charged that the country's finances are in "chaos" because of the "fiscal recklessness" of the previous government, which had borrowed to cover its deficits over the past four years.

But getting out of the economic quicksand will present the new prime minister with no small test of his administrative skills.

The options are few for the narrowly-based Bahamaian economy.

Just after taking office, Mr Ingraham reported the government's embarrassment at being unable to release \$33m in cheques it had written because all its accounts were overdrawn.

"It is unacceptable for the public treasury of a sovereign state to be in a scandalous position whereby cheques are written to pay government bills, but cannot be released because there is no money in the government's overdrawn bank accounts for the cheques to be honoured," the prime minister said.

Faced with a fiscal deficit last year of \$240m (£158m), 8.5 per cent of GDP, Mr Ingraham's government has spent the past four months reviewing the practices of Sir Lynden's government.

"The information coming to hand confirms what has been common knowledge in the Bahamas; that there has been, for years, serious mismanagement and misuse of the public finances; and that there has been impropriety, and extraordinary extravagance, abysmal neglect and waste in the handling of the economy, and of the public finances," Mr Ingraham said.

The economy has suffered in recent years from a decline in tourism, its main pillar, caused mainly by recession in its main markets. The offshore financial services sector has not fared well in the face of increased competition from neighbouring tax havens, such as the Cayman Islands.

The Bahamas' fiscal deficit jumped eight-fold between 1986 and 1989, was cut by a half in 1990 and then almost doubled again in 1991 and 1992. Foreign debt has doubled in the past three years.

Representatives of the opposition party have suggested that Mr Ingraham has been overstating the problem and has not taken account of the economic problems which forced Sir Lynden's administration into extensive deficit financing. "He is still campaigning for an election he has already won," said one.

There are no quick solutions available to the prime minister. Ironically, he has been forced into much the same action taken by Sir Lynden, saying: "A further \$100m must be borrowed as a matter of the most extreme urgency."

He also announced that the government is divesting some enterprises including one hotel and some port facilities, and will seek to manage the country's accounts with "fiscal rectitude".

The prime minister has ruled out changes to the country's tax regime, in which incomes are not taxed, and has instead suggested increased efficiency in tax collection methods, especially for customs duties which account for about 70 per cent of the government's revenue.

There appears little he can do immediately about Bahamasair, the troubled state-owned airline, for which the government is providing \$51m in financial support by June. The government is also concerned about loans of \$150m contracted by the state-owned Hotel Corporation, the largest hotel owner in the country, and the need for another \$28m to complete the expansion of the international airport, as the \$58m budgeted for it had been spent.

Mr Ingraham's charges of "impropriety" are unlikely to excite the 245,000 people of the Bahamas. In his last decade in office, Sir Lynden was frequently forced to defend the government, and himself, against local and American accusations of benefiting from narcotics trafficking and money laundering.

Sir Lynden has always rejected the accusations, but Mr Ingraham's latest charge that \$8m had been taken from the national coffers and secreted in a bank in the US will again force Sir Lynden on the defensive. The prime minister told parliament that the money had been put into "someone's personal account". He mentioned no names.

Turkey loses taste for fresh action

Opposition supports

rulers set economy

Probe into claim that BA hacked into rival computer

By Andrew Jack

THE GOVERNMENT'S data protection registrar has launched an investigation into allegations that British Airways illegally gained access to the computer system of Virgin Atlantic Airways, the independent long-haul carrier.

Mr Eric Howe, data protection registrar, confirmed yesterday that he had written to Mr Richard Branson, chairman of Virgin, to request further details.

"We are trying to find out the facts," he said.

His inquiry was sparked by newspaper reports of claims by Mr Branson that British Airways had examined Virgin's computer data as part of a series of activities "beyond any limits of commercially acceptable practice."

Under the 1984 Data Protection Act, anyone storing data on individuals on computer is required to register, stating the purpose and those to whom the data can be given.

It is a criminal offence to fail to register, and to use the data for other purposes or give it to unauthorised users "knowingly or recklessly." This is punishable by fines of up to £5,000 in the magistrates' courts or unlimited levels in the High Court.

The Data Protection Registrar confirmed last night that it had one registration for Virgin, 11 for BA plc and one for BA Enterprises.

The registrar can also issue enforcement acts against breaches of guidelines such as if data has not been obtained fairly and lawfully, or is not held securely and is not accurate or relevant.

● The administrators to Air Europe, the charter airline which collapsed in March 1991, were co-operating with Virgin in the period before the settlement against BA, it has emerged.

Lawyers acting on behalf of Mr Phil Wallace and Mr Tim Hayward, insolvency partners at accountants KPMG Peat Marwick, have been exchanging information with Virgin.

They are believed to be considering possible legal action against British Airways in the light of the court settlement, although it is seen as unlikely so long after the airline's collapse. Mr Wallace would only say yesterday: "We have watched with some interest the action going on between BA and Virgin."

Realisations of assets for creditors to Air Europe are virtually complete and total £30m net of costs and payments to preferential creditors. That compares with gross liabilities of about £1bn.

Quarter of all trade unionists now have degrees

By Robert Taylor, Labour Correspndent

A MAJORITY of Britain's trade unionists are now non-manual workers and have at least Advanced level educational qualifications, while 23 per cent have a university degree or equivalent.

These findings, taken from the government's 1991 Labour Force Survey, are published today in the Department of Employment's Employment Gazette.

It is estimated that 53 per cent of trade union members now have full-time white-collar jobs while only 24 per cent work in manufacturing, reflecting higher levels of unionisation in the public services sector.

Union density amongst those at work has fallen to 38 per cent but the gender gap is narrowing. In 1991 42 per cent of men at work belonged to a union compared with 32 per cent of women. In 1948 less than 20 per cent of trade unionists were women; now the proportion has risen to 40 per cent.

The study also reveals that workers under the age of 24 are less likely to be in unions than other age groups.

A total of 37 per cent of all workers, including the unemployed and the self-employed, were trade unionists in 1991.

This is the lowest density figure since the Second World War and 15 percentage points less than the peak in 1978 when it was 53 per cent.

Northern England has the highest union density of any region with 46 per cent of the workforce unionised while the lowest union penetration is in East Anglia with only 25 per cent unionised followed by the south east with 27 per cent.

While only 33 per cent of white workers are in unions as many as 46 per cent of West Indian/ Guyanese workers were unionised but only 33 per cent of Indians and 27 per cent of Pakistani-Bangladeshi workers were members of unions.

UK recovery may be held back by debt, warn MPs

By Peter Marsh, Economics Staff

RECOVERY will be constrained by rising current-account and fiscal deficits and by fragile consumer confidence, according to a report by the House of Commons' treasury and civil service committee published yesterday.

The report also calls on the Bank of England to publish its advice to the Treasury on monetary policy to reduce confusion in financial markets about how policy is determined.

Giving a bleak view of the UK's medium-term prospects, the Tory-dominated committee of rank-and-file MPs says the scope for cuts in interest rates may be limited by the need to "avoid any further substantial depreciation of sterling" to add to that which has already happened since Britain left the European exchange rate mechanism last September.

While hinting that a substantial package of growth measures may be needed in the March Budget to produce a substantial upturn, the committee does not rule out the need for tax rises to hold back the increase in the public sector borrowing requirement.

According to the MPs, Britain faces over the next few years "an abyss of ever-increasing fiscal deficits," assuming that growth remains fairly weak. The latest City of London estimates put the likely PSBR in 1993-94 at about £50bn, after about £40bn this financial year.

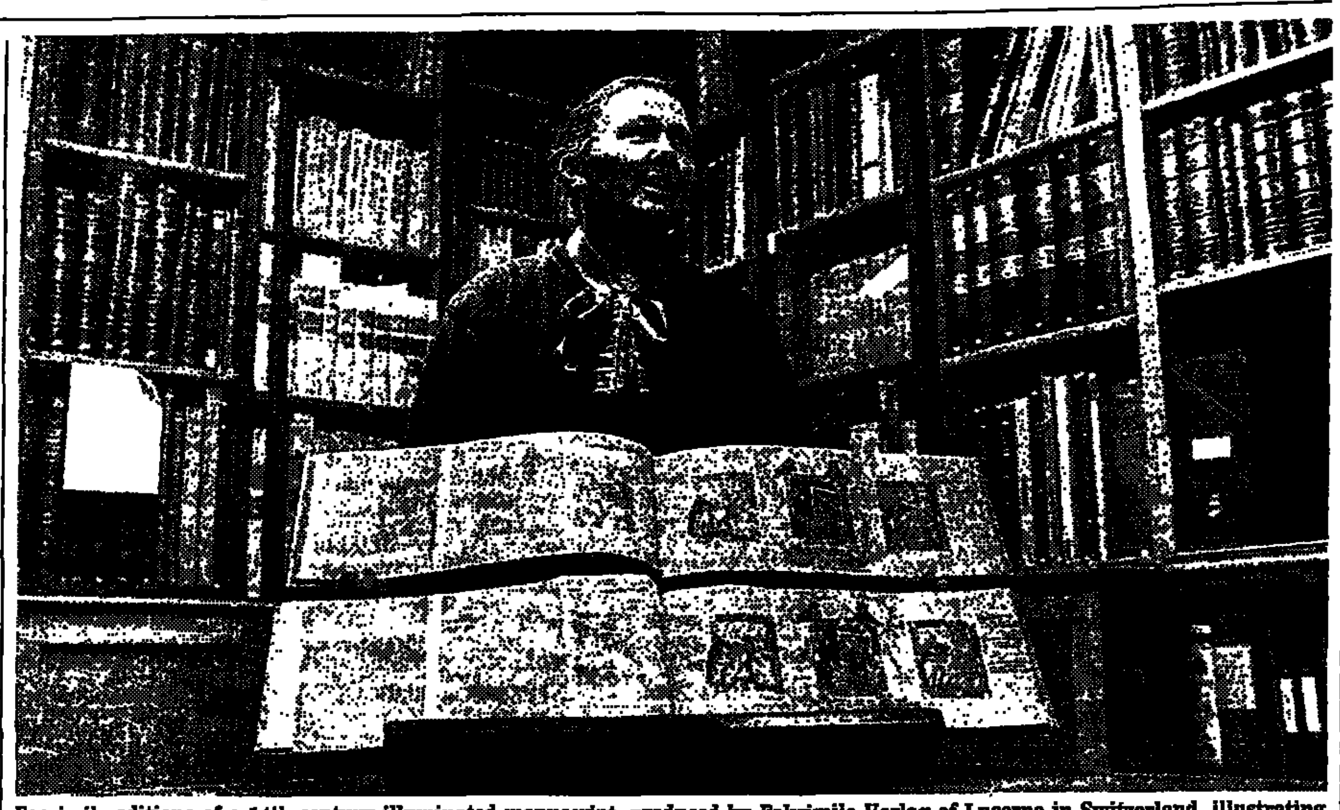
The committee wants Mr Norman Lamont, the chancellor of the exchequer, to announce in the Budget a strategy to bring down the deficit over the next few years, possibly by a programme of gradually increased taxes and cuts in public spending.

On the outlook for growth, the committee says: "It is not clear whether the limited policy measures announced during the Autumn Statement [published by the Treasury in November dealing with spending] and reductions in interest rates will be sufficient to counter the effects of rising unemployment and falling asset prices on confidence."

The MPs suggest the policy vacuum since Britain left the ERM has left Mr Lamont with a "pick and mix" approach to economic policy.

This "leaves the chancellor with so much discretion that there will be a temptation to act from inconsistent motives".

The report says a repeat of the fiasco surrounding the ERM last summer when Germany's desire to seek a general realignment of the system was not passed on to Britain, might be avoided by better communications between member states over realignment requests.



Facsimile editions of a 14th century illuminated manuscript, produced by Faksimile Verlag of Lucerne in Switzerland, illustrating stories from the Pauper's Bible, have been put on sale at £2,600 a copy. Ms Janet Backhouse, above, of the British Library displays the original edition (bottom) and one of the 980 numbered copies (top). Wear and tear on the original prompted the publication.

Plan to give ICI cheap power

By Paul Abrahams

THE government plans to allow Imperial Chemical Industries to purchase electricity at cheaper rates than other UK industrial users in an attempt to safeguard its chlorine business.

The move should secure 7,000 jobs at ICI's chlor-alkali plant at Runcorn, Cheshire.

Powergen, the generating group, would be offered a licence to supply electricity directly to the ICI plant.

The proposals follow threats by ICI last year to abandon its chlorine business unless it could secure supplies of cheap power. If ICI abandoned chlorine production to foreign competition, it estimates the impact on the UK balance of trade would be £1.5bn.

The group, which presently has to buy electricity from a spot market, experienced a sharp rise in its power costs following the industry's privatisation. ICI's chlorine-based plants at Runcorn are the UK's largest consumers of electricity – capable of using 250 MW, equivalent to 1 per cent of the UK's entire output.

The Department of Trade and Industry must decide whether other large industrial users should benefit from similar licences. Mr Peter Rost, chairman of the Major Energy Users' Council, told The Engineer, the specialist magazine, that he would want to assess why ICI should be made a special case.

Blue Circle Industries, the UK's largest cement manufacturer, and British Steel are likely to want similar deals.

Coal industry sell-off will go ahead

By Michael Smith

THE GOVERNMENT is to push for early privatisation of the coal industry in spite of the furore over the pit closure programme.

Ministers intend to start work on firm proposals as soon as they put in place the package for saving some of the 31 pits earmarked for closure in October.

They have concluded that putting British Coal into the private sector is the best way of ensuring that subsidies to the industry, now seen as an inevitable part of the package, are ended by the late 1990s.

Legislation on privatisation is likely for the parliamentary session beginning in the autumn of this year, or the following session at the latest.

Ministers had been suggesting that the pit crisis could force a more significant postponement of privatisation, at least until it could be made commercially viable.

They now believe there is no reason why the company should not be privatised while it still receives subsidies provided there is a clear schedule to phase them out.

Ministers are likely to justify the policy stance as putting pressure on British Coal to improve its performance, and emphasising that the long-term objective of moving the company into the private sector remains unchanged.

The subsidies, to be collected either from the taxpayer, or, more likely, through levies on electricity bills, would be aimed largely at enabling British Coal to replace some of the 20m of coal imports which come into the UK each year.

Mr Michael Heseltine, the trade and industry secretary, will be in Brussels today to brief EC Commission officials on his plans, and ensure that proposed subsidies for British Coal fit in with EC policies on aid and competition.

Ministers are unenthusiastic about setting up an energy commission to supervise the electricity and gas industries, and want to keep the existing system of regulators for each industry.

Britain in brief

Air travel recovers from war

Passenger traffic at Britain's main airports grew by more than 10 per cent last year compared with 1991, confirming the recovery in air travel after the slump caused by the Gulf war.

But the economic slowdown in the UK and several other industrialised countries continued to effect the overall recovery in the air transport industry with passenger traffic at airports operated by BAA, the former British Airports Authority, showing a more modest 3.7 per cent growth last year over 1990 when passenger numbers were not hit by the Gulf crisis.

Traffic at BAA airports totalled 76.9 m passengers last year compared with 69.5m in 1991 and 74.1m in 1990.

With nearly 45m passengers, London's Heathrow airport handled 11.7 per cent more people last year while London Gatwick saw a 6.2 per cent increase to 19.8m passengers.

Although traffic has been increasing, airline yields have remained under pressure because airlines have continued to offer too much capacity in the market.

Cuts in North Sea projects

Low oil prices forced significant cutbacks in exploration activity by North Sea oil and gas producers last year, according to a report by Wood Mackenzie, the Edinburgh brokers.

North Sea operators drilled only 116 exploration and appraisal wells last year, compared with over 170 in 1991, as persistently low oil prices and an adverse exchange rate (world oil trade is priced in dollars) forced them to cut capital expenditure. The brokerage group expects low levels of exploration activity to continue this year and estimates that around 120 wells will be drilled.

Development spending on existing fields, however, rose significantly. This will prove positive over the longer term because that money spent on developing new fields will generate more revenue in the next five years as production rises.

Leyland DAF ahead again

Leyland DAF, part of the Dutch commercial vehicles group, last year strengthened the UK truck market leadership it wrested from Iveco Ford in 1991.

Its share of the market for trucks over 3.5 tonnes rose by 1.8 percentage points to 25.7 per cent, whereas Iveco Ford's share fell marginally to 23.45 per cent.

Statistics from the Society of Motor Manufacturers and Traders show last year to have been the worst on record for the industry with sales down 2.44 per cent to 31,398, less than half 1989 levels. Sales of all commercial vehicles were down by 3.75 per cent compared with 1991, to 201,186 from 209,021. Within the total the share taken by imports rose slightly, to 36.32 per cent from 35.51.

Scots' business confidence slips

Business confidence in Scotland declined slightly in the last quarter of 1992 and demand contracted in almost all sectors, according to the latest quarterly survey of Scottish business opinion.

The survey, carried out by Scotland's chambers of commerce and analysed by the Fraser of Allander Institute, Scotland's principal economic research organisation, said that business confidence fell in manufacturing, distribution and tourism. In construction there was a slight increase in business confidence but from a low base.

The only sector to report buoyant and rising demand was that for manufactured exports.

Expectations for the first quarter of 1993 are for a continuation of recessionary conditions but with a slower rate of contraction than in the last quarter of 1992.

Ciby-Geigy green audit

The UK subsidiary of Ciba-Geigy, the Swiss chemicals and drugs group, has reported its environmental emissions for the first time.

The figures, for 1991, show a marked increase in the level of waste the company incinerates, but a fall in the amount sent for landfill. Ciba-Geigy believes incineration is more environmentally friendly.

The company refused to provide details of production levels or how much it had spent on environmental protection measures.

Rail plan may take decade

Mr John MacGregor, transport secretary, announced more details of the government's rail privatisation proposals this week while appearing to acknowledge for the first time that the process might take at least a decade to complete.

Using an opposition Labour party initiated debate to refute recent charges of a rail privatisation U-turn, Mr MacGregor

MacGregor: BR plans

undertook to implement all 38 recommendations in a Health and Safety Commission report published, examining the safety implications of the government's plans.

Teesside iron plant closed

British Steel said that it was closing Cleveland Iron, the UK's only supplier of foundry iron and ferromanganese, with the loss of 200 jobs.

The Teesside plant, centred on two blast furnaces commissioned in 1911 and 1939, serves customers in the UK, continental Europe and the US as well as supplying British Steel's own ferromanganese needs.

British Steel will buy ferromanganese, used in steel-making, on the open market.

It said the closure, to take effect by the end of March, was due to reduced customer requirements as a result of global overcapacity, which had led to falling prices.

Bifu calls for second strike

BIFU, the banking union, called a second one-day strike of its 19,000 members in branches of TSB Retail Banking and Insurance, one of Britain's largest banks, and said there might be separate lightning strikes in TSB computer centres.

The one-day strike called for January 22 follows what the union claimed was a successful one-day strike in the TSB's branch network last Friday. The strike stopped cheque clearing and closed at least 366 branches.

Demand for graduates falls

THE number of companies seeking graduate recruits during the so-called "milk round" at universities is likely to fall sharply this year, according to the Association of Graduate Careers Advisory Services.

Almost 30 per cent fewer companies will attend this year's spring round of presentations to students, the association said.

The survey of 77 higher-education institutions found a drop of 5 per cent in the number of companies attending the smaller autumn round last year.

Overall demand for graduates last year was down 14 per cent on 1991, according to a separate survey published by the Association of Graduate Recruiters. The survey, of 304 recruiting organisations, was conducted by the Institute of Manpower Studies.

Advert code for government

Advertising by central government and local authorities will for the first time be subject to a self-regulatory code of practice, the Advertising Standards Authority has said.

Regulations covering the advertising industry will be expanded to include public policy statements, but the ASA has stopped short of scrutinising "advertisements whose principal function is party-political" for honesty and truthfulness.

Sir Timothy Raison, chairman of the ASA, said it had decided to exclude direct party political advertising from the code of practice because opposition parties already had scope for a reply.

Quangos defy bid to curb power

By John Willman, Public Policy Editor

THE UK government's campaign to curb the power and influence of non-elected quangos appears to have failed, according to a survey carried out by the Financial Times.

The number of quangos – quasi-autonomous non-governmental organisations – has fallen since 1979, when Mrs Thatcher became prime minister and pledged to cut them down to size. From more than 2,400, the total has dropped to just under 1,850.

The amount of taxpayers' money they spend, however, has increased in real terms. In 1990-91, the latest year for which figures are available, quangos spent £41.7bn, three times more than in 1979 – an increase 20 per cent above the rate of inflation.

This growth puts responsibility for more than a fifth of public expenditure in the hands of the unelected members of quango boards. Mostly appointed by ministers, they are responsible for key public services, such as the health service, higher and further education and the legal aid system. Their organisations also reach deep into the business world through bodies such as the Health and Safety Executive, the inner-city development corporations and the Training and Enterprise Councils, responsible for government-funded training in England and Wales.

The FT survey found that the Conservatives have used their patronage powers to appoint many more businessmen to run the largest quangos. Nearly two-thirds of the chairmen of the top 40 quangos in 1990-91 were from business and industry, compared with a third in 1978-79.

The survey also found that if top quango chairmen have a known political affiliation, it will be to the Conservatives. Eight of the top 40 chairmen were Conservatives, and none was a known opposition Labour party member or Liberal Democrat.

While 12 of the top 40 chairmen in 1978-79 were identifiable as Labour supporters, supporters of other political parties also chaired top quangos. Three were known Conservatives and one a Liberal.

The government's cull of quangos since 1979 has largely affected smaller bodies. Those which remain have extended their activities more widely, and now account for over a fifth of public expenditure.

Growing influence of a new elite

Although the number of quangos has been cut, their spending has risen, says **John Willman,** Public Policy Editor

QUANGOS are on the march again. Fourteen years ago Lady Thatcher, then prime minister, launched a cull of the quasi-autonomous non-governmental organisations which carry out a wide range of administrative and regulatory functions on behalf of the government.

Yet while the number of these unelected bodies has been reduced, their spending has not.

Quangos now account for more than a fifth of public spending, running the health service, distributing funds to higher and further education and dispensing legal aid.

While their influence extends deeply into the business sectors,
quangos are also extending their activities more widely, taking over many schools, colleges, public housing projects, hospitals and local health services.

A report published last year by the European Policy Forum, the market-oriented think-tank, showed that the UK's public services are increasingly run by a new elite which cannot be held to account by those who pay for and use them.

This growth has occurred in spite of Lady Thatcher's determination to attack the power and influence of quangos.

In 1978-79, the last year of the Labour government, their number had risen to about 2,410. They employed almost 1.2m people and spent £14bn of public money. The newly-elected Conservative government saw their growth as a symbol of how government had grown too big. Quangos were a way for the public sector to spread its tentacles throughout national life, spending money on functions which were often unnecessary or even damaging to a free market economy.

An official study in 1979 by Sir Leo Pliatzky, a top mandarin, confirmed this view. He identified over 240 executive and advisory bodies for the chop, and by the end of the first Thatcher term, the number of quangos had been cut by almost 500.

Early casualties included the Committee on the Artificial Insemination of Cattle and the Hadrian's Wall Advisory Committee.

After the first Thatcher term the pressure eased. In some years, new quangos were added to the list as fast as old ones were scrapped. The Apple and Pear Development Council disappeared but the Apple and Pear Research Council made its debut.

All 17 English new town development corporations in 1979 were wound up as their projects reached completion. But 10 urban development corporations were set up to manage inner-city regeneration.

The Manpower Services Commission – the quango with second largest budget in 1978-79 – was abolished. But its training functions have since been passed on to more than 80 Tecs and to local enterprise companies in Scotland.

When large metropolitan counties such as the Greater London Council were abolished in 1986, residuary bodies were appointed to run down their assets – the only remaining one, for London, spent more than £360m in 1990-91, making it the 26th largest quango.

By 1990-91, the number of quangos had fallen to 1,846 – down 564 from 1978-79. But this smaller number was spending more in real terms than before Lady Thatcher started her cull.

In 1990-91, quangos spent £41.7bn, three times their spending in 1978-79 and 20 per cent above the rate of inflation. Far from curbing the quangos, the Conservative government had increased their spending power.

Other reforms in the public services can be expected to increase the number and spending of quangos still further. New bodies are being created to manage public services as independent, competing organisations, with no direct accountability to the people they serve.

The National Health Service reforms, for example, have created independent NHS trusts since April 1991 to provide health services.

The government expects more than 1,000 schools in England and Wales to have become grant-maintained by the end of this year – quangos run by their governing bodies outside local authority control. While a minority of governors will be elected by parents, the majority will be a self-perpetuating group who co-opt their successors, subject only to the right of the education secretary to appoint his own nominees.

Colleges of further education have also been taken out of local authority control and are run by similarly self-perpetuating boards. Yet another quango has been established to fund them.

As the European Policy Forum report says, this leaves public services increasingly under the control of unelected boards whose members are answerable only to the minister who appoints them and provides their funds.

There is certainly no formal accountability to those who use the services and pay for them through their taxes. The members of the boards which run quangos are often little-known, meeting in secret and not subject to external public scrutiny.

Prof John Stewart of Birmingham University, one of the authors of the EPF report, sees the spread of quangos taking Britain back to the 1880s, when local services were controlled by appointed lay magistrates rather than by elected councils. The switch away from elected local government of key public services is creating a "new magistracy," he says.

It is certainly not the outcome expected from a government which came to power pledged to sweep away these unelected and secretive bodies.

There may be a valuable role for autonomous boards to play in public administration. But the growing power of quangos in the provision of public services means that there is no significant way in which they are directly accountable to those who use them and pay for them through their taxes.

Accountability to the Public. European Policy Forum, 20 Queen Anne's Gate, London SW1H 9AA; price, £5.

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MANAGEMENT: MARKETING AND ADVERTISING

Nicole Dickenson looks at the problems of designing packaging that appeals to consumers across Europe

The shape of things to come

If sales rise after a new packaging design is introduced, everyone gets the credit except the designer.

If sales decline, the design is at fault. That highlights a problem that has dogged packaging designers: their inability to quantify the value of their work.

But in the last few years companies have cast aside such doubts and increasingly turned towards design services as they standardise their products across Europe.

But how valid is the belief that *one packaging* design can appeal to consumers?

In 1991 *Galbani*, the Italian cheese producer, set out to double turnover in Europe and hired *the London* design company Minale Tattersfield to harmonise 10 different packaging designs.

A design was created which depicted the Tuscan landscape. Gingham table cloth and appetising dishes for each particular cheese. The project, including research, *cost £100,000.*

Sales increased by 22 per cent in the UK, by 33 per cent in Germany and 50 per cent in France in six months without any advertising. "At least 65-70 per cent of the sales increase can be linked to design," claims Marcella Minale, chairman of Minale Tattersfield.

Campbell Biscuits Europe, a division of the Campbell Soup Company, faced a more ambitious task. It decided to standardise the packaging design of five brands, three logos and 100 products under the well-established Belgian Delacre brand, which it wanted to position as Europe's premium biscuit brand.

It hired Milan design company Break to modernise the logo and create a *single packaging* design, intended to emphasise the skill and tradition of the French pastry *chef.*

According to Joel Oberman, vice-president of marketing at Campbell Biscuits Europe: "Of all the ways to market, design is one of *the most important*".

Campbell Biscuit's redesign was completed in *three months, but it took nine months to* implement the rationalised product line across Europe.

With any redesign there is a risk of confusing consumers. The dangers are multiplied if it involves relaunching a product under a different brand name.

Oberman expected a "30 per cent annual decline in those products we modified – that's normal. We would have had to do a lot of spade work to build the brands back up. But there was no sales decline in any of the products we changed".

To minimise the risks, Campbell Biscuits retained the Dutch brand *Nobo in the Netherlands, where* consumer awareness of Delacre was just 0.8 per cent. Similarly the Belgian biscuit Bichoc was renamed Deli-choc for the European market. For other product lines the modernised Delacre logo and revamped *packaging was introduced.*

Sales increased by more than 20 per cent in Germany and by 10 per cent in France in the year to July 1992. It was impossible to isolate the impact on sales of the new design from the advertising and public relations effort, but *Oberman says:* "Packaging will have as great an impact on overall image as advertising. For new products and new design approaches, it has a much greater impact."

Common designs can also be particularly cost-effective for new product launches, as packaging *accounts for a significant share of* the company's cost structure. "Management decision-making in terms of design is streamlined and overall development costs are diminished," says Oberman.

Household detergents are a product *which is*, in theory, *easier* to harmonise across Europe, as consumer needs are similar.

In 1991, when Unilever decided to launch a new dishwasher powder across Europe it hired London design consultancy Design Bridge. The brief was to design packaging which would capture qualities such *as efficacy, modernity and authority* and stress the environmental friendliness of the product.

The Delacre master-pâtissier presents his latest creation to the European market

Within six months Sun Progress achieved a 22 per cent share of the German market where the Tengelmann supermarket chain dropped all other dishwasher powders.

Although the product was developed for the European market and the lettering, lay-out and basic design is the same throughout Europe, research in France, Germany, *Italy and the UK revealed* different consumer priorities. This resulted in Unilever promoting different product claims on the package, such as environmental qualities in Germany and its *compatibility with fine porcelain in* the UK.

"One pack design for Europe is unrealistic because of different language requirements," says Philip Lawder, marketing director of Design Bridge. "The local language *must come first in France and in* the UK."

But the benefits for Unilever of standardising European packaging are not restricted to economies of scale. Intense competition in the industry means that speed is of the essence in new product development.

Design Bridge advises clients to carry out consumer research to evaluate packaging design. Questionnaires can be devised to assess how well a new design is communicating *a brand's values compared* with the old one. With new *launches similar studies* contrast the brand design with that of rival products.

Like the vital initial consumer research, studies into effectiveness need to be carefully devised and monitored. "There isn't a consumer vocabulary for design and consumers don't rationalise design. But by asking the right questions you can gauge the effect of design," says *Lawder.*

Given the high level of interest in pan-European brands, it is not surprising that design industry executives are reluctant to disclose details of cases in which a common European design is found to be inappropriate.

But Jan Hall, chairman of London design consultancy Coley Porter Bell, believes that a high degree of commonality can be achieved in only about 20 per cent of cases. She estimates that in 5 per cent of cases national consumer differences or problems associated with national *brand positioning prevents harmonisation.*

Why the Friesian Lady is feeling full of beans

Nikki Tait explains how standardised packaging has helped Sara Lee to sell its coffee

King Edward VII of England *once declared that the* boundaries of Germany were defined by *the badness of the* coffee. In the Ardennes, tradition prescribes 10 cups after dinner while in Turkey, *the* drink is meant to be "black as hell, strong as death and sweet as love".

So how, in the age of harmonised markets, satellite TV and "Euro-branding", does a pan-European *supplier market such an inherently* nationalistic product?

Sara Lee, the US consumer products company, thinks it has an answer. The Chicago-based group, best-known for its cheesecake and bagels, is also one of the biggest companies in the European roasted coffee market. Its main rival, Philip Morris, acquired its market position through the single acquisition *of Switzerland's Jacobs Suchard in* 1990. But Sara Lee has built up a European portfolio piecemeal, purchasing almost a dozen coffee companies over a decade and a half.

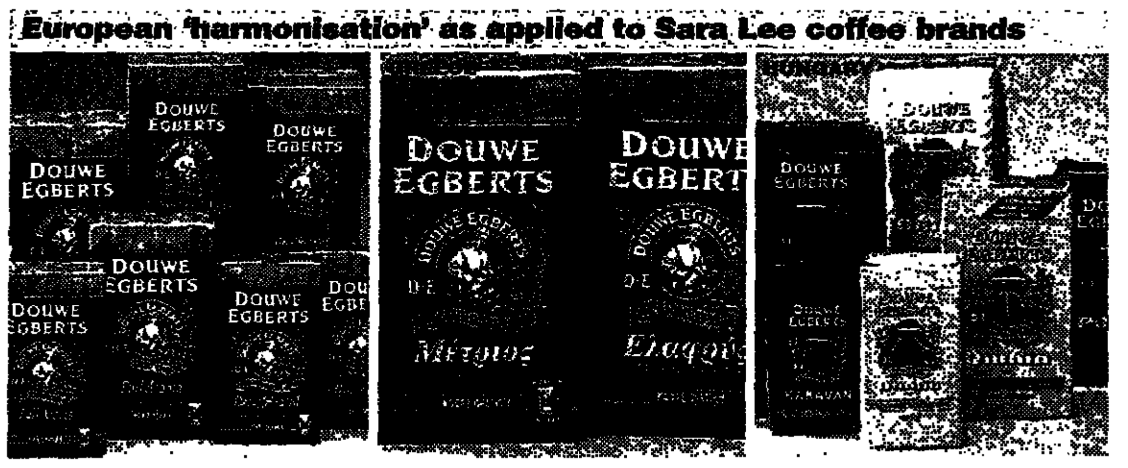
This gave the US multinational market shares ranging from 74 per cent in the Netherlands, where Sara Lee sells the Douwe Egberts brand, to 27 per cent in Denmark (Merrild Kaffe), 21 per cent in Spain (Marcilla) and 15 per cent in France (Maison du Café). But it also led to a plethora of marketing arrangements, packaging designs *and brand promotion methods.*

Sara Lee is the first to admit that coffee is still a "very locally determined product", right down to the way consumers prepare it. But in the late 1980s as the US company weighed up the implications of European "harmonisation", it was equally clear that there were savings to be garnered from co-ordinating marketing efforts.

Cor Boonstra, a Sara Lee director and head of the international operations in Utrecht, makes no secret of the basic problem confronting the company's roasted coffee business. "We simply couldn't support the brands properly in every country," he says.

It was with these cost considerations in mind that *Boonstra* first floated the notion of "internationalising" the various coffee brands four years ago. As a result, Sara Lee has come up with the quintessential "Euro-marketing" compromise. Its coffee still sells under country-specific brand names but standardised packaging and a common corporate symbol provide a strong visual *similarity* and *allow* for streamlined promotion.

European 'harmonisation' as applied to Sara Lee coffee brands



At the outset, Boonstra realised the danger of putting individual managers' noses out of joint: "The *problem was that management* didn't want to give up its position [on marketing] in some countries."

So Sara Lee tackled the management changes fairly gently – leaving the national marketing teams *in place and, for the first 18* months, concentrating on developing the contacts between them. Only then was an international development manager brought in.

The more fundamental problem, however, was how to unify the country brands without making customers feel that they were buying a bland "Euro-coffee". *It was at* this point that an internal Sara Lee development team alighted on an old "Friesian Lady" packaging design, which had been used in the Netherlands and showed a woman in simple 18th century dress pouring coffee.

Sara Lee felt the symbol conveyed a soothing message, full of "authenticity" and "quality". So it *called in Landor Associates*, the international corporate identity consultants owned by Young & Rubicam, to brush up the motif prior to *introducing the Friesian* Lady prominently on all its European coffee products. This was accompanied by the redesign of the packaging so that boxes containing the coffee came in standardised sizes with consistent colours.

Advertising strategy was also brought under one roof, with Sara *Lee switching the coffee account to* BBDO – part on the US-based Omnicon group – on a pan-European basis.

Today, the final elements of this strategy have yet to be put in place. There are still design changes to be implemented in Spain, Hungary and Denmark although products in *the UK and the Netherlands* are largely completed.

But the cost savings, says the company, have already started to flow. It cites a TV commercial to promote the "Manilla" brand in Spain. Much of the visual imagery and the sound-track backing were re-used in an advertisement for the Hungarian brands. The net result proved significantly cheaper than the production of two separate ads.

Andrew Baxter examines Siemens Automation's ambitious targets and its strategy for achieving them

Ready for the fray

In 1990, the year of German reunification, Siemens Automation made its first move into east Germany by acquiring a company in Chemnitz (formerly Karl-Marx-Stadt) that was the eastern bloc's leading producer of numerical controls and drives for machine tools.

It was an important, and symbolic move for a business based in Nuremberg, a city near the edge of former West Germany but now in the centre of the reunited country. The purchase may not have gone according to plan, due to the collapse of the eastern European machine tool market, but Europe's largest automation company has a broad enough back to weather a few mishaps.

With worldwide sales of DM5.8bn (£2.4bn) in 1991-92, 20,000 employees and annual spending of DM1bn on research and development and capital investments, Siemens Automation has plenty of technology expertise. But Manfred von Raven, group president of Siemens Automation since October 1, knows that the division needs to exploit its strengths to the full if it is to achieve his ambitious targets.

The Siemens division's products have been at the centre of manufacturing technology but still tend to be overlooked by observers of Germany's electronics and engineering giant. It is the world leader in programmable logic controls, the electronic boxes that get machines to do things – from washing cars to running a computer-integrated factory. It is Europe's biggest producer of computer numerical control units for machine tools, and makes a whole raft of other products for use either in manufacturing equipment or by the process industries.

After five years of double-digit growth, sales have levelled off over the past two years because of the recession. Siemens does not disclose divisional profits, but the CNC business is losing money – although rather less than the heavy losses among some of its customers – and other sectors are also feeling the pinch.

But the pivotal, if unacknowledged, role of Siemens' automation products in giving industry increased flexibility and productivity convinces von Raven that the pause in growth is only temporary.

"Our customers are not adding new or additional capacity," he says, "but I am quite sure that 90 per cent of the investments they are making are to increase productivity. In a recession you always talk about productivity and cutting costs."

Worldwide, von Raven sees the market for industrial electronics growing in real terms by 9 per cent a year until 1997. Annual growth will reach 7 per cent in the markets

The automation products aim to give industry increased flexibility and productivity

– worth DM95bn a year – where Siemens Automation operates.

For a German company which until recently has rarely bared its soul in public, von Raven is refreshingly honest about the division's strengths, and where there is room for improvement if it is to exploit the market potential against a host of very different competitors in its product sectors.

On the credit side, he sees big benefits from the company's common R&D base.

"We try to do as much common spending as possible, and then build blocks on top for individual businesses. This enables us to give smaller businesses a chance."

One example is the Siematic controller for plastic injection moulding machines, only a DM50m operation and one that the division could not have entered without its R&D base.

He is also very happy with the division's ability to generate ideas. "We have more ideas than money," he laughs, "but the real measure is to look at the number of patents we produce." And Siemens, along with other German companies, is good at systems integration – finding a solution that requires more than one product.

'We are not so good at turning ideas into products. We should be better at this than we are today'

"But we are not so good, relatively, at turning ideas into products," he says. "We can and should be better and quicker at this than we are today. Our internal discussions to build a consensus take too long. It has to do with our culture – we are a relatively liberal company and everybody has at least one vote or maybe even two – one in the morning and one in the evening."

For an automation business this is a tricky problem. Von Raven has to steer a balance between letting his engineers "look into their neighbour's garden" – an essential element of systems integration – and having them concentrate on their own area of expertise.

Getting the balance wrong can lead to delays, and creates an "over-engineered" product – something for which Siemens and other German engineering companies have often been criticised.

The solution, von Raven suggests, is to cut development times dramatically by launching the product with, perhaps, 70 per cent of its intended features rather than waiting to achieve 100 per cent. The next model will achieve that, and will be all the better for the dialogue with customers generated by the original launch.

Streamlining product development times is important in all product sectors but perhaps particularly so in CNC. The problem for Siemens here is that its core market of European machine tool customers is highly fragmented.

Testing a new control system to ensure that so many customers like it takes a lot longer for Siemens than for its great rival in CNC and world market leader, Fanuc of Japan. And, says von Raven, the quantities it sells per customer are 10 times lower than Fanuc's, on average.

Although many European machine tool makers, particularly in Germany, prefer to use European rather than Japanese controls if they can, the perception in the machine tool industry is that Siemens lost out to Fanuc on technology and marketing in the mid-1980s and has only recently bounced back. Even now, von Raven admits: "Our image is lower than our performance."

A second important element in meeting the future growth targets is geographical expansion. In the current environment von Raven is keeping a careful eye on capital spending but, Chemnitz apart, he has no doubt where the division should go.

"A stool has to have three legs," he says. "Europe is the main one, North America is second (the division recently strengthened its position in the US by buying Texas Instruments' PLCs business) and I'm looking for Asia to provide the third."

This brings Siemens Automation up against the Japanese again – in their home market. But, as with all the new challenges for the division, von Raven is ready for the fray, and confident about the outcome.

Wooing the customers with automation

Self-service banks are taking on more responsibilities in a bid to cut costs, says **Joia Shillingford**

Under fire for their attitude towards customers and desperate to cut costs, banks are turning increasingly to automation as a solution to their problems.

Not only are branches expensive to run, but many customers do not like using them. According to a study by Bo Hedberg, a professor at Stockholm University, most customers in Sweden go to banks to get cash, pay bills or deposit money. Only 17 per cent go to make an inquiry.

Thus he asks provocatively: "If the bank branch did not exist in its present form, would anyone bother to invent it?" Many UK banks are asking themselves the same question and looking at ways of cutting branches and staff without losing customers:

- TSB Bank will shortly introduce self-service machines allowing customers to pay bills, transfer payments between accounts or find out about loans and mortgages.

The machines, in some Tyneside branches, will be linked to Teleservice, its telephone-banking project. Users will be able to pick up a phone and ask for more information. The idea is that even at fully-automated "remote lobbies" customers will be able to speak to someone. At a few larger branches, customers will even be able to see a video image of the employee they are talking to.

TSB will close a few of its 22 Tyneside branches, but increase the hours when services are available. If the Teleservice project is successful, it will be adopted nationally. Charles Mears, TSB's Tyneside area director, says market research showed customers "no longer wanted to be held captive by branch banking hours and a trip to a branch to complete a simple transaction".

- Barclays Bank is also cutting branches and plans to increase its use of self-service machines. For the past year, it has assessed customers' reaction to interactive self-service terminals installed in 12 branches.

These NCR machines, which Barclays calls Touchbank, offer instant statements, lists of direct debits and standing orders, bill payment and transfer of money between accounts. In addition, they can provide calculations for loan and mortgage repayments or instant insurance quotations.

Andrew Bailey, manager of self-service banking at Barclays, says: "We were surprised that customers were happy to collect so much account information themselves." In 1993, the bank will test a revised final prototype of the machine for possible national use.

- The National Westminster Bank is to shut 35 of its 90 branches in London's West End and move back-office work (such as processing cheques and loans) to two types of regional processing centre. NatWest says the money saved will be spent on redesigning other branches to give them more space for automatic teller machines and for interaction between staff and customers.

In addition to using ATMs from NCR, the bank is trying out self-service machines around the country, including bank-statement printers. It also uses some self-service machines for share dealing and mortgage information.

Gunnar Enroth, Digital Equipment's market development manager for retail banking, expects more banks to cut branches, centralise back-office processing and use more self-service terminals. Costs per transaction with self-service machines are only a quarter of the cost of using staff, he says. And machines could easily carry out the most common banking transactions.

Customers also want better access to services, as the success of the Midland Bank's 24-hour telephone banking service, First Direct, has shown. Paul McDermott, systems marketing manager at NCR, says: "Customers want service when they want it, and they usually want it immediately."

This helps explain why banks increasingly take their services to the customer through ATMs in company offices, petrol stations, supermarkets, department stores and shopping centres. Some 200 Barclays cash machines – 10 per cent of the total – are located away from banks; Lloyds has 300 non-bank cash machines.

But machines have limitations. Cost savings vary according to how heavily they are used. Jerry Whitmarsh, head of technology planning for NatWest's branch network, says: "One problem in providing a lot of services on the same self-service machine is that it slows down the throughput of customers. But apart from cash, it isn't usually practical to dedicate a machine to a single product."

However, a growing number of dedicated machines are becoming available. Enroth says some ATMs which dispense cash in less than 15 seconds have been installed in Russia, Germany and France.

Customers are also reluctant to use machines for some services like depositing money. However, a new ATM from IBM being tested by some US banks can display an image of cheques fed into it. This may help reassure customers that the money really will end up in their accounts.

PEOPLE

John Young enters SIB scrum from SFA

For an organisation to pick a new chief executive in the midst of a strategic review that could lead to its complete overhaul might seem a strange piece of timing. Yet that is just what the Securities and Investments Board, the UK's chief investment watchdog, has done.

The job has gone to John Young, the heavy-smoking former England rugby international who runs the Securities and Futures Authority, one of the self-regulatory organisations presided over by the SIB. Young has the distinction of being the only SRO boss to have kept his organisation free of investment scandal since the new regime created by the Financial Services Act came into being in 1988.

What sort of an SIB will he preside over, once the full-scale review of its activities by chairman Andrew Large is completed this spring? Unsurprisingly, Young himself has in the past advocated a slim-line SIB, leaving room for the SROs to spread their wings. The alternative is a strong, centralised agency modelled more on the US Securities and Exchange Commission.

"Somewhere in the middle of the range, rather than at either extreme," was Young's prediction yesterday for the outcome of the Large review – though he claimed not to be privy to his future chairman's exact plans.

The appointment, which

takes effect in April, could signal a change in style at the SIB. A former stockbroker, Young was deputy senior partner of Simon & Coates – bought out and eventually closed down by Chase Manhattan Bank – before moving to the Stock Exchange in 1982 as director of policy and planning. As a former practitioner, he will preside over an SIB whose senior staff was largely drawn from Whitehall.

Young will take over from Roy Croft, chief executive since the SIB was created in 1985 and before that he was for long a civil servant at the Department of Trade and Industry.

The 56-year-old Croft said yesterday that he had decided 18 months ago that he had spent long enough at the SIB, but had agreed to stay on when it became clear that former chairman Sir David Walker would soon be leaving.

Insurance moves

■ **Tim Childs, Kevin Hughes and David Stark** have been appointed directors of EW PAYNE.

■ **Quintin Heaney**, formerly finance director of Lloyd Thompson, has been appointed finance director of NELSON HURST.

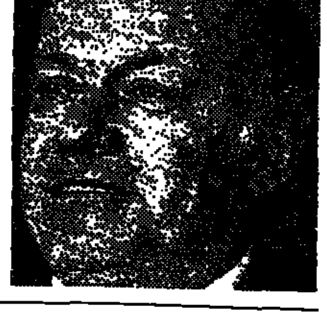
■ **Jim Carlton**, formerly pensions director of Johnson Fry Financial Services, has been appointed pensions director of its employee benefits division of the FRASER GROUP.

■ **Julian Badcock** has been appointed head of insurance at NATIONWIDE BUILDING SOCIETY.

■ **Brian Johnson**, chairman of WF Corroon, **George Nixon**, chairman and chief executive of Willis Corroon Ltd, **Ken Pinkston**, president and ceo of the group's property and casualty programs division, and **Max Taylor**, promoted to chairman and chief executive of Willis Faber & Dumas, have been appointed to the board of WILLIS CORROON GROUP. **Donald Payne** has become chief executive of Willis Corroon. **Robert Keville** and **Donald King** have retired.

■ **Sir Kerry St Johnston** (right), a former chairman of P&O Containers and president of the General Council of British Shipping, has been appointed non-executive chairman of NM FUNDS MANAGEMENT EUROPE, the new name for National Mutual Life Association of Australasia's fund management operations in Europe. Meridian is being dropped.

The newly appointed md is **Bruce Bonyhady**, an Australian promoted from deputy md. He replaces Clinton Starr, who returns home to Australia as global marketing director. John Nairn is also appointed a director of NM Funds Management Europe.



■ **Gateway, the troubled food retail group, has appointed Stan Frith as personnel director to replace Bryan Taker who left yesterday. It is the first appointment made by David Simons, who became chief executive of Isosceles, Gateway's parent, on January 4.**

Frith's career has spanned Texas Instruments and lately Bunzl. But it was his stint at House of Fraser, the department store group, which must have prompted this career move. Simons was finance director there.

■ **Robert Watkins**, Amstrad's technical director and one of seven main board members, has resigned.

Amstrad made the announcement after the Stock Market closed yesterday and gave no explanation for the unexpected resignation. Watkins was unavailable for comment and Alan Sugar, the founder and chairman, was out of the office yesterday.

Watkins was re-elected to the Amstrad board at the company's annual meeting in November - in the midst of Sugar's controversial 30p-a-share bid to take the group private again.

Last month, in the wake of the shareholder rejection of Sugar's proposals, Watkins was one of two Amstrad directors to sell their stakes in the company; he sold his total holding of 563,500 shares at 23⅛p, raising £130,309 before costs.

Meanwhile, Pro-Ned is due this week to provide Amstrad with a shortlist of candidates for two non-executive directorships.

Smoke signals still unclear at BAT

An American tobacco man will soon be back in the driving seat at Brown and Williamson, BAT Industries' large US tobacco business. Tommy Sandefur, 53, will take over as chairman and chief executive of Brown and Williamson when the current British incumbent, Ray Pritchard, retires at the end of March.

Pritchard is the latest in a series of top BAT executives nearing retirement age. Brian Garraway, the deputy chairman, retired last October and Sir Patrick Sheehy, the chairman since 1982, is expected to retire in September when he will be 63.

However, the latest reshuffle gives no clues as to who will take over from Sheehy. Sandefur, unlike Pritchard, will not have a seat on the BAT Industries board and most observers still think that Sheehy's successor will be drawn from a short list which includes Martin Broughton and Ulrich Herter, who head the two biggest parts of BAT's business – financial services and tobacco – and David Allvey, the finance director.

Even so Sandefur will be one of BAT's two top executives in North America – an area which contributes two thirds of the group's profits. Brown and Williamson, based in Louisville, Kentucky, is the third biggest US cigarette company with sales of nearly $3.5bn.

Its share of the US market, currently 11.1 per cent, has been rising and it has a growing export business, particularly in the Far East. Brands include Kool, Capri, Belai and Barclay.

Sandefur is a tobacco man through and through. Born in Perry, Georgia, he worked for RJ Reynolds for 18 years and was executive vice president – Europe, before joining Brown and Williamson as senior vice president of international marketing ten years ago. In January 1985, he was made president and chief operating officer.

هكذا من الأصل

Cinema/Nigel Andrews

Romances with ignition trouble

Spring is here, give or take two months, and it is time to fall in love. As this week's movies show, anyone can do it anywhere. Dog trainers do it, sopranos do it. Scotsmen surrounded by cattle do it; even grunge rockers in Seattle do it. You can do it at home or at work. You can even drive deep into the country to do it, so long as your car starts.

Or your movie, as the week's first love entry demonstrates. A special branch of the AA should be on 24-hour duty to rescue British road movies from breakdown or ignition failure. But where exactly should they attach the jump leads in *Soft Top, Hard Shoulder* – to the first item or the second?

SOFT TOP, HARD SHOULDER (15)
Stephan Schwartz

MAN TROUBLE (15)
Bob Rafelson

SINGLES (12)
Cameron Crowe

SARAFINA! (15)
Darrell James Roodt

The soft top belongs to Peter Capaldi as the pea-brained hero, scion of an Italian-extracted Scottish ice cream firm who is motoring from London to Glasgow for Dad's 60th birthday and (tsk, tsk, mercenary fellow) a promised inheritance. The hard shoulder belongs to Elaine Collins as the Scots girl he picks up en route in his battered sky-blue Triumph. To cry on this icy gamine's shoulder is to weep on a glacial moraine. At least until she begins to melt a little – but there, we are giving away the story.

Shot on a wide screen without matching panache in the use of colour or lighting (cameraman Henry Braham, director Stefan Schwartz) the film seems at first an unwieldy gas-guzzler with seen-better-days bodywork. But do not run away: it is also, after a short struggle, charming. As England melts into Scotland and the film gets over its starting troubles (Frances Barber as a caricature publisher, too much let's-set-up-the-story), the plot turns into a modern-dress *39 Steps*: two likeable oddballs handcuffed together by fate while even odder balls come out of the scenery. I especially relished the old widower who runs a bed and breakfast and shows the newcomers round with a bad-news pronouncement on every stair: "My wife choked on a Penguin... My mother came here to die..."

Capaldi, who also screenwrote, is winning beanpole with a doleful line in Italo-Scottish epigrams. And Collins, who would vanquish all rivals in a Frances De La Tour lookalike contest, is tartly funny as the un-gentler sex.

Man Trouble is another odd-couple romance with ignition trouble. But this time the engine coughs impotently for the whole 100 minutes. The premise of Carole Eastman's screenplay – good heavens, did she once write *Five Easy Pieces*? – is straight out of a game of Consequences. Guard-dog trainer Jack Nicholson meets opera singer Ellen Barkin in sun-kissed Los Angeles. He says to her (in essence), Do you want to rent a dog? She says to him (in essence), Thank you, I'll take the German Shepherd and I think I'm falling in love with you. The consequence is...

Well, the consequence is the movie. Bob Rafelson – good heavens, did he once *direct Five Easy Pieces*? – urges his stars to make funny faces as their vehicle stutters through farce, romance, an all-sorts supporting cast (Beverly d'Angelo as Barkin's kidnapped sister, Harry Dean Stanton as nutty crook) and much covert sermonising about gender politics and sexual role-playing. In short – but if only it were – a mess.

Peter Capaldi and Elaine Collins as two likeable oddballs in 'Soft Top, Hard Shoulder'

Seattle, as you will know if you have been there, is a major centre of Grunge Rock. So it is no wonder that grunge rocker Matt Dillon, in the film *Singles*, is adored by blonde single girl Bridget Fonda, whose friend and neighbour is handsome Campbell Scott, who has taken a shine to emotionally bruised chance encounter Kyra Sedgwick, who has been loved and left by an on-the-make Spaniard. And now, as the saying goes, read on.

As the music track fills with Pearl Jam, Mudhoney and Soundgarden (never heard of any of them but grunge rock friends tell me they are big), writer-director Cameron Crowe choreographs this fast-growing daisy chain of amours. Crowe's first feature *Say Anything* was a riotously charming comedy about love across the American caste system. Poor boy John Cusack met rich girl Ione Sky and the twain had many a mishap trying to bridge the chasm between Ivy League and Poverty Row.

But *Singles* is too many plots competing for one charm franchise. Crowe runs from one romance to the other like a conjuror with his spinning plates, but the only charisma on offer is of the "Keep smiling at all costs" kind. Signs of strain are evident in the over-mathematical matchmaking and the winsome asides-to-camera. (Film-makers should give up the idea that the same matey rapport can exist between a movie character and his audience as between their live theatre equivalents.)

However I liked the safe sex party that enjoins guests to "Come dressed as your favourite contraceptive." And please note director Tim 'Batman' Burton's piquant cameo as a dating agency video-maker dubbed "the new Martin Scorsese."

Sarafina! is the one film of the week in which no one "meets cute". But that is no commendation. The Soweto-set South African musical has stepped off the stage into the quicksand of location shooting. The sinking feeling is instantly recognisable. Massed sing-alongs and fervent knees-ups by the black schoolchildren who are both chorus and main characters – including pretty, progressively politicised Sarafina (Leleti Khumalo) – erupt all over the township and surrounding desert. Yet these big musical scenes always seem to be falling out of frame, upscreened by the vaster sky and heat-shimmering scrubland.

Whoopi Goldberg throws herself wholeheartedly into the mayhem, as the schoolteacher for whom South African history began with the first black man, not the first over-celebrated white man. (Cue appropriate classroom scene with no yawning children.) A machine-gun behind her fridge at home signals Whoopi's guerrilla sympathies and connections, but also telegraphs her early demise at police hands. After that it is songs and torture scenes in roughly equal measure.

Director Darrell James Roodt, adapting the hit show by Mbongeni Ngema (of *Woza Albert*), has no idea how to unify its tone for the screen; or, if unity is impossible, how to make the razzmatazz-versus-verismo contrast seem pointful rather than accidental. When artifice and reality are passed simultaneously before the camera lens, its eye will always focus sharply on the second, turning the first into a frothy blur. So here. *Sarafina!* the fledgling docudrama kicks the life out of *Sarafina!* the would-be musical.

The last film of the week should have been *Man Bites Dog*. But I never got there. Stuck between Clapham South and Clapham North for twenty minutes – to a Trappist silence from London Transport – I knew all hope of seeing the week's most curious-sounding film was draining away. I shall review it, LT willing, next Thursday.

Ballet/Clement Crisp

MacMillan's 'The Judas Tree'

The Royal Ballet's new triple bill is made up of three masterworks. Balanchine's *Apollo* and *Symphony in C* need no further laurels, but it is, I think, important that ballet-goers should experience MacMillan's *The Judas Tree* as it returns to the repertory. This was Sir Kenneth's last creation for the Royal Ballet, and it shows him working more allusively than ever before. It also shows him making choreographic incident and delineating character with astonishing emotional force.

The Judas Tree is densely layered. If we "read" its text and explore its resonances, if we respond to MacMillan's imagery and follow him into his world, the choreography reverberates with ideas. These have to do with Biblical references – the ballet might then be called *Judas* – with a dependant political theme about social responsibility, about assent to evil by inanition. This MacMillan identifies in his use of a quotation from Khalil Gibran concerning a tree's silent knowledge when a single leaf turns yellow – whence the *Tree* of the title.

But the choreography is also a commentary on sexual confrontation, about abuser and abused, about woman as sex-object and genetrix, about man as lover and son, about how we view death (and depersonalise it in such procedures as chalking round the outline of a corpse). Biblical references return when the betrayed "friend" of the Judas foreman is entombed in a derelict car. And, examining Jock MacFadyen's set, we can see that it is Golgotha as well as Canary Wharf.

In stressing the complex of images that lie within the dance, I risk minimising the inventive richness of the choreography. MacMillan was here working at the peak of his powers. Movement is breathtaking in its perceptions, and in its sheer richness of dynamic imagination. The role of the foreman finds Irek Mukhamedov tearing into steps, swathes of bravura action that tell everything of the man's rage, his vulnerabilities, his despairs. (And how vividly the image of "fingering" someone runs through the dance). It is a monumental performance.

Michael Nunn and Mark Silver as his friends, are no less boldly challenged, and no less tremendous. Viviana Durante as the woman (and more exactly, as Woman) veers between sexual provocation, grievously abused, and an untouchable, inviolate dignity. These are interpretation of truest authority and beauty, and they are framed by the intense and intensely danced readings from the group of workmen. *The Judas Tree* demands to be seen – and seen again.

I found the company performance on Tuesday night to be stronger than last season. It is a tribute to the Royal Ballet that this should be so. We owe it to posterity that this astonishing work of art be filmed with its present and superlative cast.

The opening *Apollo* of the evening brought Eddie J Shellman, a guest from the Dance Theatre of Harlem, as Apollo. It is a fine reading. Shellman understands both the young god's simplicity ("He's a farm boy", Balanchine once said) and the divine dignity of the role. Dance and gesture alike have a strong, inevitable shape, and in Darcey Bussell we see a Terpsichore of radiant grace. Together they showed us the continuing importance of this masterpiece.

The Judas Tree can be seen at Covent Garden in this triple bill on Jan 16 eve, 21, 27, 28.

Opera in Berlin/Andrew Clark

A new era dawns with Barenboim

Berlin's oldest opera house, the Deutsche Staatsoper, is in festive mood. This season marks its 250th anniversary, and is the first to bear the imprint of Daniel Barenboim as artistic director. A new era has dawned. After 40 years of isolation in the Communist east of the city, the Staatsoper is re-asserting its position as Berlin's – and possibly the world's – number one opera house.

The main anniversary celebration was Carl Heinrich Graun's *Cleopatra e Cesare*, a long-forgotten *opera seria* which inaugurated Frederick the Great's court opera on Berlin's Unter den Linden in 1742. There has also been a new Harry Kupfer staging of *Parsifal* and a successful exhumation of Busoni's first completed opera, *Die Brautwahl*.

Drawing on his extraordinary network of contacts and friendships, Barenboim has acted as a magnet for the top talent in the business. His high-powered cast and production team for *Parsifal* were all colleagues from Bayreuth, and will form the basis of a complete Wagner cycle extending through the 1990s. Maurice Béjart is to create a new ballet in March, Jonathan Miller will produce *Capriccio* in May. Next season Patrice Chéreau will re-stage his production of *Wozzeck*. Pierre Boulez has agreed to give the Staatsoper his first opera, and will conduct *Boris Godunov* there. What the Bastille lost when it parted company with Barenboim in 1989, Berlin has gained.

With a salary of DM1m (£400,000) and enthusiastic support from the German political establishment, Barenboim is doing exactly what his paymasters wanted: transforming the Staatsoper into an upmarket operation, with an international status to match Berlin's upgrading as the future seat of the federal government.

The changes have come at a price. The problems and accomplishments of the Staatsoper during the Communist era have been swept under the carpet, leaving some long-serving employees out of a job and others bewildered by the changes. Its orchestra, the Staatskapelle, does not yet match the standards now being set on stage. Seat prices have rocketed to a level which most east Berliners cannot afford.

But the biggest loser is the Deutsche Oper in the western half of the city. Throughout the years when Berlin was divided, the Deutsche Oper alone upheld international standards of opera. It had exclusive call on visiting opera conductors and singers. It was a symbol of cultural freedom, benefitting from West Berlin's special funding status as an island in the Communist bloc. Now it finds itself competing with the Staatsoper for audiences, artists, sponsors and subsidy. Morally, the Deutsche Oper feels it should have emerged from unification as the outright victor. Instead, it is battling for survival.

The Deutsche Oper's long-established intendant, Götz Friedrich, and the new leadership at the Staatsoper are trying to play down the rivalry. Joint planning meetings have been held to prevent an overlap of repertoire. Each stresses the benefits of maintaining three opera companies in the city – the third being east Berlin's Komische Oper, which has a tradition, style and public of its own.

After 40 years of isolation the Staatsoper is re-asserting its position as Berlin's number one opera house

But as Berlin's historic centre around the Staatsoper is redeveloped, the Deutsche Oper faces an erosion of prestige and income. Its DM79m (£31m) subsidy for 1993 is virtually the same as last year's. In contrast, the Staatsoper will enjoy a 30 percent increase to DM75m (£30m), and the Komische Oper a 25 percent rise to DM51m (£20.5m) – even though they have a smaller wage bill and the Komische Oper employs no star singers. The Staatsoper is expected to cream off the most lucrative video and recording work. And in Barenboim, it has a charismatic leader who is still developing as a conductor, and carries enormous clout and goodwill.

The Staatsoper (often referred to as the Lindenoper) also has history, architecture and atmosphere on its side. It was the first opera house to be built in Berlin, and its fine classical exterior has survived the ravages of fire and wartime bombing. This is where Felix Weingartner and Richard Strauss served as Hofkapellmeister before the First World War, where Erich Kleiber conducted the premiere of *Wozzeck* in 1925, where Wilhelm Furtwängler and Leo Blech held sway in the 1930s, where "Das Wunder Karajan" was coined in 1938.

Faithful postwar reconstruction by the East German government preserved the grand but intimate atmosphere of the horseshoe auditorium, with its pink and gold decor and clear, sweet acoustic. The only disadvantage for the Staatsoper's new clientele is that it is stranded in east Berlin, currently resembling a building site by day and a Communist ghost town by night.

For the time being, the Deutsche Oper is still the place where singers earn the highest fees and audiences hear the standard repertoire. Built as a bourgeois opera house in the Charlottenburg district in 1912, the original theatre was destroyed in the Second World War. Its postwar successor – a concrete block with a cavernous 1900-seat auditorium – has seen a steady stream of world premieres, has acted as the Berlin home of Domingo and Pavarotti and staged widely-acclaimed productions of the 19th century classics, not least Götz Friedrich's time-tunnel version of *The Ring*.

Given Berlin's huge culture budget and growing importance in a united Germany, there seems no reason why three distinctive companies should not thrive. The choice of Graun's *opera seria* to open the new era at the Staatsoper signals a welcome focus on pre-Mozartian opera, for which its 1300-seat theatre is ideal: Gluck's *Alceste* and *Iphigénie en Tauride* follow next season, and there will be Handel after that. Harry Kupfer – *spiritus rector* of the Komische Oper and a key Barenboim ally – will help develop the Staatsoper's large-scale German repertory, where duplication with the Deutsche Oper is inevitable. The latter will continue with an extensive popular repertory, interspersed with big-budget new productions.

No-one can hope to repeat Berlin's golden era before and after the First World War. Of the city's seven major orchestras, only one today has a German as chief conductor. For all his dedication and versatility, Barenboim is no Furtwängler and he will be absent seven months of the year. But with Claudio Abbado setting new artistic horizons for the Berlin Philharmonic Orchestra, and Barenboim single-handedly energising the city's opera life, Berlin is emerging as Europe's undisputed musical capital for the 1990s.

Recital/Andrew Clements

Nikolayeva plays Bach

In four recitals in the Wigmore Hall this week Tatyana Nikolayeva is playing Bach's 48 Preludes and Fugues, The Well-Tempered Klavier. It is a leisurely progress – each book shared between two evenings – but Nikolayeva's burgeoning following (all seats sold well in advance) hangs on every note.

Her current popularity is difficult to explain; there is a whole cadre of pianists from the former Soviet Union who are now making new careers in the West, but only Nikolayeva has caught the imagination, even raising comparisons (surely exaggerated) with her approximate contemporaries Emil Gilels and Sviatoslav Richter.

Meanwhile Nikolayeva continues to play Bach just as doubtless she has for the best part of 50 years. There is a take-it-or-leave-it integrity about its plainess, with little obvious attempt at interpretation. The occasional bout of point-making, an unexpected accent or a quickening in the middle of a movement, seemed more the result of a change of focus than an element in a carefully pre-planned scheme, just as phrases sometimes lost their purpose as if Nikolayeva's concentration had wavered momentarily.

Perhaps it is the lack of adornment in her approach that seems so attractive; maybe for the post-modern sensibility simplicity equals spirituality, and the same record buyers who eagerly snap up Nikolayeva's recordings are also those who consume the works of Gorecki and Tavener.

Her playing seems fresh because she offers nothing new, just old-fashioned reassurance. There are no frills, and no thrills either – Nikolayeva offers neither the technique fastidiousness nor the interpretative insights of, say, Richter or Glenn Gould, the finest Bach pianists of our age; a fan would describe her piano tone as richly mellow, an agnostic might find it monochrome and dull. Yet she certainly projects an intellectual honesty: whether that in itself will be enough to ensure it survives is the big question.

Wigmore Hall; further recitals tonight and tomorrow

INTERNATIONAL ARTS GUIDE

■ ATHENS

Concert Hall Tonight: Ivan Fischer conducts Budapest Festival Orchestra in Beethoven's Fifth Piano Concerto (Zoltan Kocsis) and Seventh Symphony. Tomorrow: Athens State Orchestra plays works by Roussel, Bloch, Prokofiev and Gunther Schuller. Sat and Sun: La Camerata plays works by Copland, Bizet and Theodore Antoniou. Mon and Tues: Greek song concert (722 5511)

■ BOLOGNA

Teatro Communale 19.30 Ivor Bolton conducts first night of Graham Vick's new production of L'Incoronazione di Poppea (runs till Jan 29, next performance on Sun). Sun in Palazzo dei Congressi: Pilobolus Dance Theatre. Mon: Beaux Arts Trio (529999)

■ CLEVELAND

Severance Hall 20.00 Christoph von Dohnanyi conducts Cleveland Orchestra in Brahms' Second Piano Concerto (Alan Feinberg) and Dvořák's Seventh Symphony. Next concerts: Mendelssohn's Elijah on Feb 4, 5, 6 (231 1111)

■ DRESDEN

OPERA
Tonight: Der Freischütz. Sat: Les Contes d'Hoffmann. Sun afternoon: Le nozze di Figaro. Sun evening: Theo Adam sings Winterreise. Jan 31: new production of Bartered Bride (Semperoper 484 2731)
CONCERTS
Giuseppe Sinopoli conducts Dresden Staatskapelle in works by Mozart, Wagner and Schubert tomorrow in the Semperoper (484 2731). Sat and Sun in Kulturpalast: Salvador Mas Conde conducts Dresden Philharmonic Orchestra in works by Grieg, Schumann, Fauré and Debussy, with piano soloist Elena Bashkirova (486 6306)

■ THE HAGUE

Danstheater Tonight: world premiere of new choreography by Hans van Manen, music by Stravinsky, in a mixed bill of works by Kylian and Parsons. Repeated tomorrow and Sat, also Jan 21, 28, 29, Feb 4, 5 (360 4930)
Dr Anton Philipszaal Sat evening, Sun afternoon: Graeme Jenkins conducts Hague Philharmonic Orchestra in works by Mozart and Richard Strauss, with soprano soloist Margaret Marshall. Sun evening: John Adams conducts Schoenberg Ensemble in his new Chamber Symphony. Mon and Wed: Minsk Philharmonic Orchestra plays Shostakovich and Tchaikovsky (360 9810)

■ LONDON

THEATRE
- King Baby: world premiere of James Robson's new play about a successful self-made businessman's efforts to kick his alcoholism and save his marriage. Now in previews, Press night on Tues (The Pit 071-638 8891)
- King Lear: a new production of Shakespeare's tragedy directed by Max Stafford-Clark, starring Tom Wilkinson as the aged king. Now in previews, Press night next Thurs (Royal Court 071-730 1745)
- The Deep Blue Sea: Penelope Wilton heads the cast in a revival of Terence Rattigan's study of obsession and the destructive power of love (Almeida 071-359 4404)
- The Last Yankee: Arthur Miller's new four-character play starts previews next Thurs, Press night Jan 26. Cast includes Peter Davison and Zoe Wanamaker, directed by David Thacker (Young Vic 071-928 6363)
- Yo Tengo Un Tio En America (I have an uncle in America): Els Joglars' production combining dance, music, text and allegory, well received at last summer's Edinburgh Festival, features in London International Mime Festival Jan 19-Feb 6 (Riverside Studios 081-748 3354)

DANCE/OPERA/CONCERTS
Royal Albert Hall Bolshoy Ballet season runs daily except Mon till Feb 14, with repertory including Romeo and Juliet, La Bayadère, Raymonda and Spartacus (071-589 8212)
Covent Garden Final performances of Royal Opera production of Alcina, with Yvonne Kenny and Ann Murray, are tomorrow and next Mon, Wed and Fri. Jan 25: first night of Stiffelio with José Carreras. Royal Ballet has a triple bill including MacMillan's Judas Tree on Sat and next Thurs, and Ashton's The Dream and Tales of Beatrix Potter on Tues (071-240 1066)
Coliseum ENO repertory consists of Ken Russell's production of Princess Ida (tonight and next Thurs), The Adventures of Mr Brouček conducted by Charles Mackerras (tomorrow) and Carmen (Sat, Tues and next Fri). The Turn of the Screw is revived on Jan 25 (071-836 3161)
South Bank Centre Tonight, tomorrow, Sat: final performances of Ben Stevenson's English National Ballet production of Nutcracker. Tues: Kurt Sanderling conducts Philharmonia Orchestra in Sibelius' Violin Concerto (Ida Haendel) and Tchaikovsky's Fourth Symphony. Wed: Andrew Davis conducts Berlioz and Beethoven. Next Thurs: Vladimir Ashkenazy conducts all-Walton programme. Jan 24: Prague Symphony Orchestra (071-928 8800)
Barbican Tomorrow, Sat, Sun: BBC Janáček Festival conducted by Andrew Davis, including two orchestral concerts (tomorrow and Sun) and a concert performance of From the House of the Dead (Sat). Next Wed: Rafael Wallfisch plays Moeran's Cello Concerto in a YMSO concert. London Sinfonietta 25th birthday gala. Jan 24: Yo Yo Ma (071-638 8891)

■ MADRID

Teatro Lirico La Zarzuela The season opens on Sat with Luis de Pablo's Kiu. Further performances Jan 18, 20, 23, 25. Next production: Jenufa, opening Feb 8 (429 8225)
Auditorio Nacional de Musica Tomorrow, Sat, Sun: Aldo Ceccato conducts Spanish National Orchestra in works by Beethoven and Schoenberg. Next Tues: Santa Cecilia Orchestra of Pamplona plays Tippett's Concerto for Double String Orchestra and Mendelssohn's Italian Symphony. Next Thurs: Marcella Crudelli piano recital (337 0100)

■ PRAGUE

CONCERTS
Vaclav Neumann conducts Czech Philharmonic Orchestra in Smetana's Richard III, Martinu's Oboe Concerto (Ivan Sequardt) and Beethoven's Sixth Symphony, tonight and tomorrow in Dvořák Hall. Next week's concerts are conducted by Jiri Belohlavek (286 0111).

OPERA
National Theatre has Rusalka tomorrow, The Bartered Bride on Sat and Wed, The Devil and Kate on Sun, Hurnik's The Ladykillers on Tues and Don Carlos next Thurs. Jan 29: new production of La scala di seta (205364)

- For pre-booking and information about these and other events, contact city centre ticket agencies (Sluna, Wenceslas Square 28 in the passage, tel 260693, or Bohemia, Na Prikope 16, tel 228738, or Melantrich, Wenceslas Square 38 in the passage, tel 228714) and theatre box offices.

■ STOCKHOLM

OPERA/DANCE
Tonight and next Wed at Royal Opera: Arabella. Tomorrow: Simon Boccanegra. Sat, Mon, Tues: Ashton production of Cinderella. Next Thurs: Shnitke's ballet Peer Gynt choreographed by John Neumeier (248240)

CONCERTS
Tonight at Konserthuset, Niklas Willen conducts Stockholm Philharmonic Orchestra in works by Hammerth and Mahler. Next Wed: Gennady Rozhdestvensky conducts works by Webern, Ludvig Norman and Shostakovich (244130). Tonight at Berwaldhallen, Gunnar Eriksson conducts Rilke Ensemble of Gothenburg in songs by Messiaen, Poulenc and Swedish composers. Tomorrow: pianist Roland Pöntinen and friends play Bartok's Sonata for Two Pianos and Percussion (784 1800)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0800-0830, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

The war before the world changed

BOOK REVIEW

THE GULF CONFLICT 1990-91: Diplomacy and War in the New World Order
By Lawrence Freedman and Efraim Karsh
Faber and Faber. £20. 504 pages

There are times, two years on, when the Iraqi invasion and allied liberation of Kuwait can seem an age ago, resonating with such fallen and dimly remembered names as Gorbachev, Thatcher, Baker and Shamir. This week, as the prime mover again flaunts his defiance in Kuwait, and his prime antagonist punishes him one more time before departing the US presidency, is not such a time.

Yet, however events unfold in the coming days, it is clear that January 1993 will not be a rerun of January 1991. This is not just because Saddam Hussein is a much weakened figure, his military a shadow of its former self; nor because the allies this time have fuzzy objectives and are relying purely on air power rather than a massive ground offensive. It is because the world itself has changed since the last Gulf war. This timely and well-judged book helps to remind us how.

The authors – one the professor of war studies at King's College, London; the other a leading Israeli authority on Middle Eastern affairs – have produced something approaching a definitive chronicle of the 1990-91 crisis, stretching from the prelude to Saddam's invasion to his defeat by the US-led coalition.

Just as important, they have attempted to place the conflict in a proper historical context. The attempt can only be provisional, but the snapshot they provide of the world is thoughtful and thought-provoking – not least in relation to George Bush and his much-belaboured New World Order.

Of all the clichés spawned by the Gulf war, that was perhaps the most tedious. It was also, as Bush later realised, all too open to misunderstanding.

As Freedman and Karsh make clear, the international effort to eject Iraq from Kuwait was probably unrepeatable. Far from marking the dawn of a new era when, in Bush's words, "diverse nations are drawn together in common cause, to achieve the universal aspirations of mankind", it was an essentially transitional moment.

The coalition assembled against Iraq depended on a singular set of circumstances: Gorbachev's desperate need for western support as his domestic power base crumbled; China's desire to ingratiate itself after the Tiananmen Square massacre; Arab awareness that there was only one superpower. It came together because Iraq's offence was a textbook case of aggression that simply could not pass unchallenged, and held together because the US set itself the relatively straightforward goal of reversing that aggression.

Between those two bald facts, Freedman and Karsh's narrative has a smooth inexorability which perhaps does not fully reflect the widespread public alarm and uncertainty at the time.

A shift in perceptions makes Bush's simple line in the sand seem old-fashioned

But the judgments underlying it are sound, and carry lessons relevant today: that Saddam invaded Kuwait largely because of his desperate political and economic predicament at home after the war with Iran; that economic sanctions alone would never have dislodged him; and that, despite the frenetic western activity in the run-up to the UN's deadline of January 16 1991, diplomacy never had a chance of yielding him concessions sufficient to warrant withdrawal.

The authors are right, too, in squashing many of the myths that have grown up about the war in the intervening two years: the idea, for example, that there was some kind of eleventh-hour failure by the allies in ceasing fire when they did. Western rhetoric about targeting Saddam or removing him from power was all for domestic consumption; the wider coalition could never have supported such ideas as formal war aims.

That does not mean that mistakes were not made. Indeed, in one sense the conflict arose from one big mistake by western countries: their abject failure to understand the nature of the Iraqi regime. They supported it during the war with Iran, appeased it once that conflict was over, then failed to warn Saddam clearly of the consequences of his actions during the build-up to the invasion of Kuwait. "Saddam Hussein," as Freedman and Karsh put it, "was always an unlikely moderate." The fact that Arab governments also wilfully misinterpreted his motives is only a partial excuse.

But the biggest failure, and the one for which the price is still being paid, came after the western onslaught had ceased, when Saddam's people rose up against him and saw the outside powers who had encouraged them to do so hurriedly retreating over the horizon.

By his own lights, it was understandable that Bush had no desire to let US forces become embroiled in Iraq's internal affairs. Though he had difficulty explaining as much, the war had after all been fought to preserve an international order in which established state borders are inviolate, ethnic or religious divisions are treated as secondary, and repressive governments are allowed to get on with it so long as they do not bother the neighbours.

With the end of the cold war and the eruption of ancient ethnic problems, however, it looks as if that order is crumbling. Perceptions of the world are shifting in a way that makes the simplicity of Bush's line in the sand seem old-fashioned. The western powers trying to police no-fly zones in northern and southern Iraq are learning that Saddam's repression of the Kurds and the Shias, like the Serbs' ethnic cleansing, is itself a potential threat to regional peace that cannot in the long run be ignored.

If the Gulf war was a "defining moment", that reality is what it began to define.

Andrew Gowers

ECONOMIC VIEWPOINT

Give to me your surplus workers

By Samuel Brittan

President-elect Bill Clinton owes his triumph not merely to the delayed recovery from the US recession but also to a widespread belief that the American dream is failing, and that the latest generation will not enjoy the same opportunities as its parents and grandparents had.

My inclination had been to shrug off most of this talk as a reflection of the jaundiced attitude towards capitalism of the chattering classes on both sides of the Atlantic. Closer investigation has impelled me to believe that there is something in the complaints; but that there is little Clinton can do to remedy matters. Indeed, the changes are an aspect of the reduction of income differences between American citizens and their geographical neighbours, which progressive politicians ought to welcome but seldom do.

A standard analysis of the labour market data appears in an article by F Levy and R J Murnane in the September 1992 issue of the Journal of Economic Literature (JEL). The authors' starting point is that real income per full-time employee was rising by 2.45 per cent per annum between 1947 and 1975, but by only 0.67 per cent in the 1973-88 period.

The real median income of a 45-54-year-old man (this means that he is in the middle of the income distribution) rose by more than 20 per cent in the decade to 1958, nearly 41 per cent in the decade to 1968, and by only 1 or 2 per cent in the decade to 1988.

The near standstill in hourly pay is clearly associated with the much-discussed productivity slowdown. President George Bush's outgoing Council of Economic Advisers has suggested that a change of gear has taken place, from an underlying 3 per cent annual growth in business sector output per hour up to the early 1970s to 0.9 per cent since then.

The squeeze on hourly pay has not been reflected nearly as much in disposable income and spending. Higher participation rates have helped family income. There has also been an increase in the share of property or non-wage receipts such as property returns or social security payments.

According to the orthodox tabulations, not only did pay grow more slowly in recent years; but there was among male, although not female, workers a process known as polarisation or "hollowing out". The proportion increased of relatively highly paid men earning more than $40,000 in dollars of constant 1988 value. But so did the proportion at the bottom end, earning less than $20,000. It was the numbers in between that fell.

Average annual US growth rates (at constant prices)

	1959-69	69-79	79-89
Consumer expenditure per capita	2.8	2.2	1.8
Disposable income per capita	2.9	2.2	1.5
Savings ratio*	6.5	7.1	4.4
Employment to population ratio*	0.4	0.3	0.5
Hourly compensation**	58.0	59.9	63.0
Output per hour**	2.4	1.3	0.8

Source: OECD, US Economy 1992; * end of period; **non-farm business sector

The near standstill in earnings dates back to 1973. But I wonder if a study based on families and lifetime earnings, rather than snapshots of pay per worker at any one time, would have come to such dismal findings.

Nevertheless, the slogan is that the US has been producing fewer middle-class jobs, in the American popular sense of jobs affording a single family house, car and associated expenditures. In Europe the reference would be to upper-working or lower-middle class jobs – C1s or C2s in media classification.

Toleration of "polarisation" or other disparities depends on the prevailing general trend. As the JEL authors point out, when polarisation of earnings increases around a rapidly rising average, then the poor get richer and rich get richer faster. When it grows around a stagnant mean, the rich get richer and the poor get poorer; and an outcry is to be expected.

One explanation of polarisation is the shift away from manufacturing, where the better-paid middle-class jobs had been found. Another factor has been the increased premium on educational qualifications.

There has also been a growing differential in favour of middle-aged workers against younger ones, probably reflecting the disadvantages of newcomers in manufacturing, where there have been few new vacancies. Quite apart from these identifiable differences, there have been growing gaps in wages paid by different companies for workers with the same qualifications, which researchers have been unable to explain.

The academic studies might have yielded more insights if their authors had looked beyond the US frontier. For we are really seeing a new chapter in a story made familiar ever since western economic growth began to slow down after the 1973 oil price explosion. The US has taken the pressure in the form of stagnant earnings and increased pay disparities. Europe has taken it in the form of inadequate employment opportunities.

In 1973, the total number of jobs was very similar in the US to what it was in a group of central and western European countries selected by the OECD. Between then and 1989 (thus excluding the recent recession years), employment in these European countries has risen by a bare 5m, while in the US it has risen by 32m.

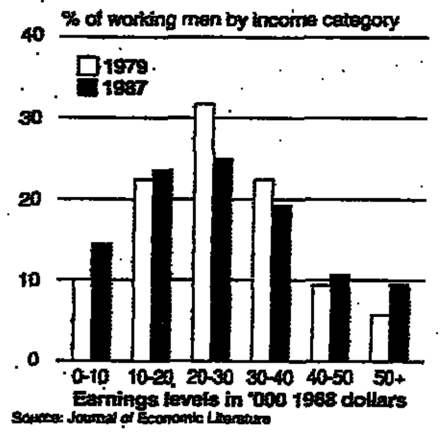
Even in the 1970s the growth of population of working age could only explain half the difference in job growth between the two sides of the Atlantic. In the 1980s, the demographic disparity explained almost none of the difference, which represents American superiority in finding jobs for a greater proportion of its labour force.

In fact, US job growth might have been much greater than the official figures suggest because of the unrecorded influx of workers from Mexico and elsewhere. If there is a large increase in unskilled and semi-skilled labour, relative to capital and other resources, one would expect pay per head to come under pressure in a flexible labour market, and average labour productivity to stagnate as well. These phenomena are a mark not of failure, but of successful absorption of many new workers.

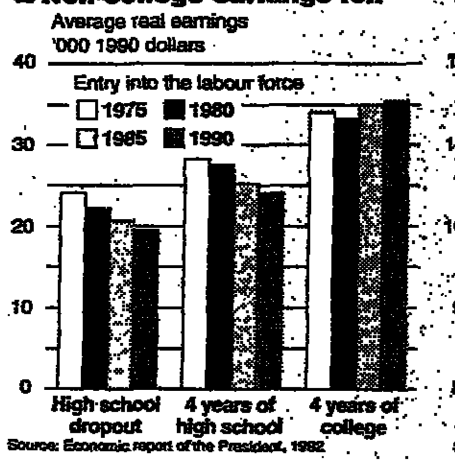
Something like this would have happened in Germany if centralised agreements had not prevented wages from coming down to market clearing levels. One hope behind the North American Free Trade Association is that imports of goods will replace immigrant inflows into the US. Even if, against all the odds, this were to happen, pay among skilled workers would still suffer from the pressures of competitive imports. Free trade normally provides an increase in overall national income, but not necessarily for every section of the population.

The US still produces much more per head than its main competitors, including Japan, and even its labour market problems are a sign that the Statue of Liberty is, however grudgingly, beckoning workers and goods from less-favoured areas.

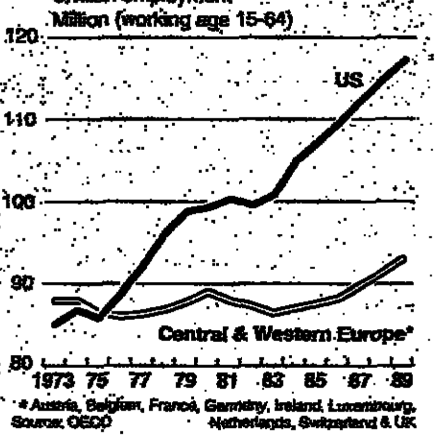
The orthodox diagnosis of the OECD is that the US needs to save more and invest more, which soon comes back to the old slogan of reducing the budget deficit. My own suspicion is that President Clinton would do more for his country if he left the economy alone and concentrated on removing the laws against soft drugs, and thus acted against the main force for the criminalisation of US society.



Source: Journal of Economic Literature



Source: Economic report of the President, 1992



* Austria, Belgium, France, Germany, Ireland, Luxembourg, Netherlands, Switzerland & UK
Source: OECD

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
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Switzerland as model for the EC

From Mr Hermann Weber.

Sir, At the summit in Edinburgh the statesmen of the European Community undermined the foundation of the EC by granting Denmark exceptions. Copenhagen was successful in securing the requested exclusions – that is, a clear distinction between Danish citizenship and union citizenship, no adhesion to the third round of monetary union, and keeping its distance from the EC defence policy.

One member of the EC has been released from unconditionally signing the Maastricht treaty, a document that was considered to be the crowning of the EC. In Edinburgh, the fundamental rule – same rights, same duties – has been once more sacrificed. At the end of the summit the leaders stated triumphantly that the EC has shown its ability to act efficiently – an activity likely to bring the bureaucratic monster closer to failure.

What's in store for the future? The UK has its own opt-outs, and will ask for similar or the same exceptions as Denmark. The other 10 EC members will thus feel duped and prejudiced. They will become aware that an unconditional Yes to the Maastricht treaty was the biggest mistake they ever made.

In addition to the various symptoms of crisis of the EC – trade war with other great powers (such as the Gatt conflict between the EC and US), internal and external quarrels (there were more than 900 infringements of EC members last year), jeopardising Gatt as a result of Jacques Delors' EC policy, to mention only the main calamities – now comes a Maastricht treaty with numerous various holes.

The European Community will remain a fragile torso unless it is remodelled in a federalistic, democratic European commonwealth, governed (as Nobel prize-winner Maurice Allais recently suggested) by a constitution like the one of Switzerland.

Hermann U Weber,
Member of the Swiss Bankers Association,
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Switzerland

Time for government to ensure real airline competition

From Mr Kenneth P Armitage.

Sir, One of the principles on which the Conservative government initially came to power was that creating competition, through deregulation and privatisation, would not only lead to greater efficiency but to cheaper services. The fundamentals of that principle have not yet happened, particularly in the provision of utility services.

Regardless of this, one of the first companies to make the "quantum leap" was BA and, while it cannot be denied BA is now a flourishing business, it would appear that success may have been achieved through stifling rather than embracing competition.

Now BA has accepted the possibility of a "dirty tricks" campaign against Virgin Atlantic, and has unreservedly apologised and apparently accepted the bill for legal costs. Is it not time for government ministers to "put their money where their mouths are" and allow Virgin Atlantic and other British airline companies to compete with BA on a more "level playing field" by allowing them slots at Heathrow and access to more international routes?

Kenneth P Armitage,
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Auditors too often blamed instead of the directors

From M R Hardman.

Sir, I am writing about the comments in the Lex Column on January 12, regarding the Trafalgar House AGM.

As a shareholder and a registered auditor, I think I am well placed to view "both sides of the coin".

I agree with much of what is said, including that the Caparo judgment does restrict auditors' liability too much. However, it seems to me that too often it is the auditor who is blamed in these situations rather than the directors who are, after all, responsible for the accounts.

Auditors' liability is unlimited at present and so it seems are our professional indemnity insurance premiums.

I agree with your view that the auditors' duty of care to shareholders should be widened and also that, at the same time, there should be some form of limited liability on auditors.

However, limiting auditors' liability may have a perverse effect if an unscrupulous auditor (there may be some) decided the continuing audit fee was worth more than getting caught and incurring the limited penalty.

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Another depressing London development plan

From Mr Brian H Gill.

Sir, It was depressing to read that the city corporation is once again preparing to compromise London's diminishing built heritage, for a paltry 300,000 pieces of more than somewhat devalued silver ("Road in city to be sold", January 12).

The last such occasion that professionally concerned me was the city corporation's sale to the London Docklands Development corporation of the unique late 19th and early 20th century group of industrial buildings at St George's Wharf, Deptford, which was then destroyed (in advance of possible spot-listing) to make way for an unnecessarily elaborate feeder road and a currently weed-encrusted "development opportunity".

Now Bucklersbury is likely to be similarly ripped up to make way for some seedy "arcade" (doubtless to be filled by unlettable retail premises) running through what Prince Charles has rightly referred to as a 1930s "wireless set", although, in the current climate, about the only way Lord Palumbo will be able to fund its construction will be by emptying his own pockets! We should expect a better standard of care for our heritage from what is virtually the only efficient UK local authority.

Brian H Gill,
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Real cost to early leaver

From Mr N Wookey.

Sir, Mr Smallbone's and Mr Long's letters (December 30 and January 4) dealt with the unfairness caused by "early leavers" contributions to pensions funds effectively paying for the larger pensions received by those fortunate enough to stay with the same company until retirement. According to the calculations quoted the government therefore allows early leavers to be robbed of about £20bn a year, this sum then going to subsidise the pensions of those who stay in the same company until retirement, since the contributions of the latter group will only fund about 60 per cent of their final pension.

I would suggest, however, that the position is not as simple as this. A person who as an early leaver in, say, 1965 and who did not take up another pensionable post until he retired in, say, 1990 will clearly lose out under the present system since he will be paid at 1965 salary levels. Most early leavers, however, whether voluntary or enforced due to redundancy, will not take up one or more other pensionable posts until they reach retirement age. They will then become both "robbed early leavers" and "subsidised final retirees".

Presumably the Occupational Pensions Board has done such calculations and it would be interesting to know their conclusion as to how many suffer serious injustice.

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FINANCIAL TIMES
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Thursday January 14 1993

Extra time for British Coal

MR HESELTINE goes to Brussels today to see whether the EC's policy on aid to industry can accommodate a fresh round of subsidies to save British Coal. If he steps on the plane with a heavy heart, he has only himself to blame since his own mishandling of the pit closures is the main reason why he is now trying to prop up British Coal rather than privatise it.

But a commercially viable coal industry must remain his aim. Although the stormy debate over the future of coal has shown that there is widespread popular support for the industry, it has not thrown up any compelling reason to accord it special treatment. The UK is a fuel-rich country which does not need to rely heavily on coal. Coal is an expensive fuel once its true environmental costs are factored in – as they should be. And British Coal has already demonstrated that it possesses the technology and the will to raise its productivity closer to commercial levels.

The only possible case for extending subsidies lies in the evidence submitted by independent mining engineers that British Coal could achieve greater viability with three or four more years' breathing space. Even this is another of those gold-at-the-end-of-the-rainbow arguments which needs to treated with caution, but given the hard political realities now facing Mr Heseltine, it might provide the least harmful possible justification for further aid.

However if the UK does embark on a fresh round of subsidy it needs to be done with several clear points in mind.

The first is that any aid for British Coal will be driven more by a desire to save jobs than to bring sense to the UK's energy policy. The funds should therefore be accounted for as an employment subsidy and not as a hand-out to the coal industry. That will not, regrettably, avoid the fact of further distorting the UK's already badly warped energy picture, and these will load further costs on to the economy at large through higher-than-necessary electricity prices. It will have a knock-on effect on other industries such as gas and nuclear power, and place a competitive handicap on British manufacturers.

The second is that protection for coal will also lead to higher electricity prices because of regulatory arrangements which permit power generation costs to be passed directly through to the consumer. Since concerns already exist about the lack of competition in the generating business it would be appropriate to combine any programme of subsidies with closer monopoly scrutiny of the power business.

A third is that the cost of any subsidy should be clearly identified. Since helping coal is essentially a matter of social policy, the cost should logically be borne by the taxpayer. But with the Budget in deep deficit this would mean up to 1p on income tax – a tricky option in present circumstances. Therefore the cost may well have to be borne by the consumer through a levy on electricity bills, which is not as it should be, though it does have the advantage that people could be reminded by an item on their quarterly statements of just how much it is costing them to keep British Coal going.

A fourth point is that Mr Heseltine's package of measures should be accompanied by a clear timetable for privatising and restructuring British Coal, partly in order to make announced limits on both the size and ultimate duration of subsidies more credible. There is no reason, as the government now appears to believe, why British Coal should not be privatised during the lifetime of a subsidy regime. Its new owners would know the score and would have a stronger incentive to get British Coal into shape for the day when they cease.

Although many people will judge the success of Mr Heseltine's task in terms of the number of miners' jobs he saves, a better measure will be the bottom line in terms of money spent. The less the better. Extra time for British Coal in the end only means extra money.

Gulf war revisited

AS AMERICAN, British and French warplanes went into action against Iraq last night, nobody should have been less surprised than President Saddam Hussein. In recent days the Iraqi leader has been doing more than testing the patience of Washington and its allies. By repeatedly sending men into what the United Nations now recognises as Kuwaiti territory, barring UN weapons inspectors from his soil and violating the no-fly zones established in the north and south of his country, he has been actively courting attack. The west had no alternative but to mount a vigorous but measured response.

In embarking on this course, however, the allies can be under no illusions as to their objectives and their chances of success.

The only satisfactory outcome, for the west, for Iraq's neighbours and for the long-suffering Iraqi people, would be the result they hoped for after the humiliating defeat they inflicted on Saddam two years ago: his speedy removal from power and the emergence of a regime prepared to respect the terms of the Gulf ceasefire and the will of the international community. This week's onslaught thus needs to form part of a sustained campaign of attrition, in which, without warning, every fresh Iraqi offence provokes strikes against the military and political apparatus that sustains his rule.

Even so, there is no guarantee that Saddam's removal is within the allies' grasp, any more than it proved after thousands of allied bombing sorties crippled Iraq's infrastructure and killed or wounded tens of thousands of Iraqis. On the contrary: such is the ruin that Saddam has brought on his country in eight years of war with Iran and in his foolish adventure in Kuwait that he now perversely needs confrontation with an external enemy to preserve his rule.

Two and a half years of sanctions may have caused untold suffering among ordinary Iraqis, but they have given Saddam a ready-made explanation for the country's economic plight. He must likewise be calculating that a new western onslaught will burnish his propaganda in Iraq and in the wider Arab world.

It is going to be a long haul, and one fraught with political pitfalls for the allies – not least in their dealings with other Arab governments. But even if the result is only Saddam's containment, rather than removal, the west is condemned to persevere.

City regulation

TENSION IS rising in the retail investment industry over reform of the regulatory bodies responsible for marketing life assurance, pensions and unit trusts. Mr Andrew Large, chairman of the top regulatory organisation, the Securities and Investments Board, has fired a shot across the bows of the Personal Investment Authority, the proposed self-regulating body designed to absorb two existing regulators, Lautro and Fimbra. In the background is a critical, unpublished Office of Fair Trading report on life assurance marketing.

The PIA, as so far outlined, certainly takes practitioner-based regulation beyond the limits of practicality. Its 30-member board, big enough to include all the warring factions within the investment industry, must be cut down by half and rebalanced in favour of public interest representatives, says Mr Large. There must be no rubber-stamp transfer of existing Fimbra members to the PIA. Nor can this be a cut-price regulator; it must be one able to deal with rising compensation claims and widespread concerns about the industry's marketing practices.

The sting in the tail of the Mr Large's letter to Sir Gordon Downey, prospective PIA chairman, is the warning that the SIB has alternatives up its sleeve should the PIA collapse. This is plainly intended to strengthen Sir Gordon's hand in overcoming industry resistance to toughening the PIA's prospectus. The British Insurance Association, for instance, was quick to issue an angry response yesterday about "moving the goalposts".

But it would be a pity if Mr Large's threats were dismissed as negotiator's bluff. It is time that the alternatives were spelt out more clearly. Some in the industry have already called for direct statutory regulation of the marketing of investment products. Alternatively, Fimbra could be absorbed within a strengthened Lautro, and independent financial advisers would have to become tied agents except where they could obtain authorisation through professional bodies.

It is right that Mr Large should tackle the vested interests in investment retailing which the consensus-seeking SIB has treated far too leniently in the past. However, this is not a private debate, but one of wide public interest, and it is time that the issues were brought out into the open.

Peace wins an 11th-hour reprieve

A last-minute turnround by Bosnia's Serbs has brought hope to the Geneva talks, writes Robert Mauthner

The spectacular turnround by the Bosnian Serb leader, Mr Radovan Karadzic, at the Geneva peace talks on Bosnia has, for the first time in many months, brought a glimmer of hope that a solution to that bloody conflict is on the horizon. Yet in spite of the conditional agreement on a future constitutional framework for Bosnia that was reached on Tuesday, only the most incurable optimist could ignore the very big obstacles to a comprehensive peace settlement that still lie ahead.

The very fact that it required the combined forces of three presidents – Mr Dobrica Cosic of the rump federation of Yugoslavia, Mr Slobodan Milosevic of Serbia and Mr Momir Bulatovic of Montenegro – to change Mr Karadzic's mind on the international mediators' proposals showed how difficult he found that decision.

Even then, Mr Karadzic considered it necessary to shift the responsibility for his acceptance of the plan, tabled early this month by Mr Cyrus Vance and Lord Owen, to the Bosnian Serbian assembly, which has either to approve or reject it within seven days. In spite of Mr Karadzic's optimism that it will do so – the Bosnian Serb leader's forecasts have frequently proved to be inaccurate in the past – there is absolutely no guarantee. It was, after all, the Bosnian Serb parliament which rejected the Vance-Owen plan in the first place and gave Mr Karadzic a mandate for intransigence at the Geneva talks which, until his last-minute turnabout, he respected to the letter.

The best hope that the Bosnian Serb assembly will, in the last resort, swallow the constitutional principles, already formally endorsed by the Bosnian Croats and, in principle, by the Moslems, again lies in the pressure that can be exerted by Mr Milosevic and Mr Cosic, particularly the former.

Mr Milosevic was invited to the last round of the Geneva talks by the two co-chairmen, in spite of his bad international reputation, in the hope that he could repeat his peacemaking performance of January last year. On that occasion, he brokered a ceasefire agreement between Serbs and Croats, which opened the way to the presence of the United Nations Protection Force in disputed areas. It was a considerable achievement which has since been obscured by the continued fighting and slaughter which has cost some 17,000 lives in Bosnia.

Notwithstanding scepticism about Mr Milosevic's fundamental desire to act as a mediator, he came up with the goods, albeit after the plenary negotiations had already broken down. In subsequent bilateral meetings with Mr Karadzic, Mr Milosevic and Mr Cosic are reported to have made it clear that they considered a peace settlement to be in the interests of Serbia, whose rapidly deteriorating economic situation could only be improved by a lifting of international sanctions. The Serbian president is also understood to have stressed that, if the Bosnian Serbs dug in their heels and became involved in a military conflict with western nations, they could not necessarily count on Belgrade's support.

The implicit threat that Belgrade might cut the Bosnian Serbs' lifeline by withdrawing military and economic support is Mr Milosevic's most powerful card, if he is prepared to play it. The fact that both Mr Milosevic and Mr Cosic have expressed their intention to defend their views personally before the Bosnian Serb assembly is a further indication that they are serious in their support for the mediation effort.

Mr Karadzic's last-minute change of heart was announced not by himself, but in a communiqué issued by Mr Cosic's spokesman, which made clear that his decision had been made on "the insistence" of the three presidents. This eloquently underlines the nature of the pressure that was exerted. It is the first time that any kind of rift has appeared in the greater Serbian camp and that must be considered good news for the peace process in the former Yugoslavia.

Mr Karadzic, of course, has tried to make the best of a bad job by stressing that the co-chairmen's "revised" proposals have fully taken into account his demands, repeatedly proclaimed throughout the negotiations since they started two weeks ago. Specifically, he claimed that the proposed division of Bosnia-Hercegovina into 10 semi-autonomous provinces would be tantamount to creating a system under which there would be "many states within a state", thus giving the Bosnian Serbs virtual independence in both domestic and foreign affairs.

That is precisely what Mr Vance and Lord Owen have studiously avoided in their constitutional plan for an independent and sovereign Bosnia-Hercegovina, whose territorial integrity will be guaranteed. Though their proposals make clear that the provinces of the new decentralised state will be largely self-governing for internal affairs, they emphasise that the provinces "shall not have any international legal personality and may not enter into agreements with foreign states or international organisations".

In other words, the Serbian provinces will not be able to decide separately on their links with Serbia, let alone on secession from Bosnia-Hercegovina to join a greater Serbia. Such a constitutional provision would have been rejected outright by the Bosnian Moslems and is also unacceptable to the international community as a whole.

The only minor concession that the co-chairmen made to Mr Karadzic's views was to condense two of the articles of their original 10-point constitutional framework. They amalgamated article 4, which states that the new constitution will recognise three "constituent peoples", with article 1, specifying that Bosnia-Hercegovina shall be a decentralised state made up of largely self-governing provinces.

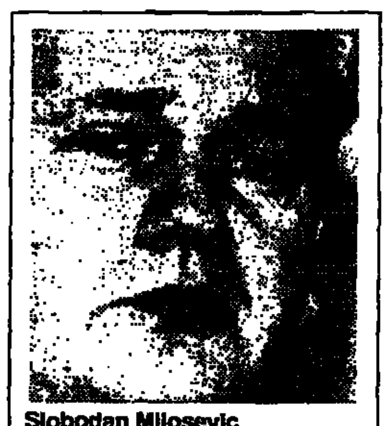
This modification has given the concept of constituent peoples (Serbs, Moslems and Croats) greater prominence by moving it up to the top of the text of the constitution, but the substance of the document has not been altered. Mr Karadzic has signally failed in his bid to gain recognition for "the three major ethnic groups as the constituent units of state", a formula which, in the eyes of the co-chairmen and Bosnian Moslems, would have opened the door to the eventual creation of an independent Bosnian Serb state. Mr Vance and Mr Owen have repeatedly made it clear to Mr Karadzic that the provision for semi-autonomous provinces in their proposals offer the Bosnian Serbs all the guarantees they need to preserve their identity.

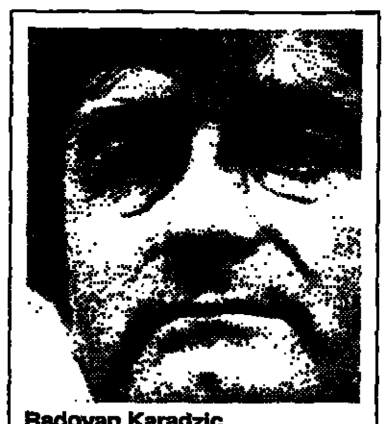
Yet even if the Bosnian Serb assembly endorses the new constitutional framework, that would leave some substantial hurdles still to be negotiated on the road to a comprehensive peace settlement. The mediators' package contains two other important elements: an agreement on the actual boundaries of the new provinces and an agreement on the cessation of hostilities and the pull-back of troops.

It is widely recognised that the first of these will be extremely difficult to negotiate, given both the Serbs' demand for a corridor across the north of Bosnia which would link up the territories assigned to them, and Moslem demands for various adjustments to the proposed boundaries and a greater share of the total area of the new state.

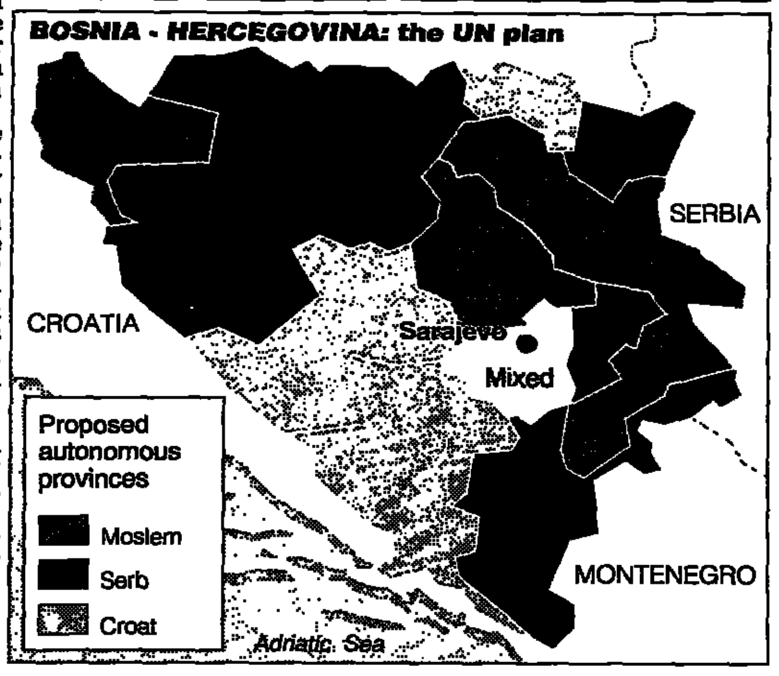
By contrast, there is already a wide measure of agreement on the military aspects of a peace settlement, with even Mr Karadzic, it is said, prepared to accept that the future Bosnia-Hercegovina should be demilitarised and Sarajevo declared an "open city". Be that as it may, the Bosnian Serb leader has already made it clear that he is opposed to the proposal under which all heavy weapons of the combatants would be placed under UN control or supervision.

Mr Vance and Lord Owen have already shown that they are up to the task of overcoming even these complicated remaining problems. This week, when they were playing for very high stakes, the co-chairmen proved themselves to be poker players of the highest calibre. What they will find very difficult to do, however, is to deliver an agreement which will be fully implemented by all the parties. Too often, Bosnian peace hopes have been dashed. It is the durability of the Vance-Owen plan that will be its ultimate test.


Slobodan Milosevic
Serbia's president


Radovan Karadzic
Bosnia's Serb leader

BOSNIA - HERCEGOVINA: the UN plan



How to redress the banks' balance

UK clearers must reform if they are to regain small business confidence, says Robert Peston

Whether Britain's many ailing small businesses have been more demoralised by the insensitive behaviour of the UK clearing banks or by the government's management of the economy is a moot point.

However, the chancellor has the opportunity to redeem himself in the coming fortnight, when he publishes his recommendations of how the small business loan market might be improved.

The Treasury's review of this market began two months ago. It was triggered by widespread complaints by small companies that banks have caused needless damage by arbitrarily depriving them of credit or charging them too much for loans and other services. Mr Lamont, the chancellor, now has the submissions from most big banks and has also received the conclusions of a Bank of England study of interest rates and charges levied on small businesses.

His original fear, that banks have not been passing on the benefit of base rate reductions to their small business customers, appears to have been unfounded. The Bank has concluded that lending margins – the difference between the base rate and rates charged to customers – have not changed significantly, though some banks have enjoyed a slight margin improvement.

A small increase in margins might indeed have been justified. The risk of lending to small business rises in a recession, so perhaps banks should be rewarded for carrying this increased risk.

On the other hand, banks have pushed up fees and commissions very sharply. New research by the analyst Terry Smith shows that the volume of banking transactions, such as cheque clearing, has stagnated over the past couple of years. But banks' revenue from fees and commissions on these transactions has been rising at 20 per cent a year – most of which is due to an increase in tariffs for all customers and the introduction of new tariffs.

To a certain extent, the banks' imposition of new tariffs is to be welcomed. It is a sign that they are belatedly setting their charges at levels which correspond to the costs of providing particular services.

However, the ability of the banks to raise their tariffs during a recession indicates there may be too little competition between them. Such a situation is a particular defect of the small business market, in which there are no more than 10 serious providers of loans. Just two banks, National Westminster and Barclays, have about half the market.

The banks' ability to raise tariffs during a recession indicates there may be too little competition

The government's ability to alter the competitive environment is limited, though. In other industries it could perhaps launch a Monopolies Commission inquiry to assess whether the leading players should reduce their market shares by making disposals. However, to shed all or part of small business lending is next to impossible. No bank would buy a portfolio of small business loans from a rival without obtaining a close knowledge of the borrowers – and acquiring that knowledge is an arduous and time-consuming process.

There are two other criticisms of banks which stick. Too often, they have withdrawn credit from particular customers for no good reason. In addition, they have also made mistakes, such as imposing charges when none was due.

Personal customers can seek redress for banking errors by complaining to the banking ombudsman. Unincorporated businesses may also go to the ombudsman, though few are probably aware of their right to do so. But incorporated businesses can only seek redress in the courts, which is often a prohibitively expensive route.

The Treasury is likely to recommend the creation of an ombudsman scheme for all small businesses, incorporated or unincorporated. It should have three roles:

- Like the existing ombudsman, it should adjudicate on complaints about alleged banking mistakes and impose reparations.
- When a complaint is not about a mistake but about the fairness of a bank's actions – in, for example, withdrawing credit or imposing heavy new charges – the ombudsman should conduct a review and publish the conclusions. There would be no power to force a bank to reverse its decision. However, few banks would be likely to ignore the ombudsman's recommendation.
- The ombudsman should carry out an annual review of banks' lending and charging policies in general. This increase in market transparency would compensate for the lack of competition.

The immediate reaction of most banks is to fight the creation of such an institution. However, they are wrong to do so. If the banks are to regain public confidence, they must be prepared to explain their policies and actions in public.

OBSERVER

Jaws in line for vice

■ Temperatures are rising at the Bundesbank. Besides the strains of defending unpopular policies, it has the small worry of who will succeed Hans Tietmeyer as the German central bank's vice-president when he steps up to replace Helmut Schlesinger in the coming summer.

One likely candidate, evidently allowed a much higher profile recently, is loquacious Reimut "Jaws" Jochimsen, president of the Düsseldorf regional central bank and a former economics minister for North Rhine-Westphalia.

The 59-year-old won attention in Britain four months back when the text of one of his speeches turned out to contain remarks – withdrawn before he spoke – that the principal obstacle to an EMS realignment was "prestige". Black Wednesday was not far behind.

An ex-academic whose views defy easy categorisation, he is variously described by domestic and foreign commentators as a hawk or a dove on the one hand, and as pro- or anti-European on the other. But as he's a staunch SPD member, his politics certainly fit – redressing the balance after the solid rightwing bias at the top since Karl Otto Pöhl resigned.

Bundesbank-watchers say Jochimsen was limbering up for the vice-presidency during last week's council meeting, at which as many as six members apparently voted for rate cuts, leaving only a three-strong majority for no change. Jochimsen acted as the conciliator and is credited with engineering the eventual compromise of nudging down money-market rather than official rates.

Nice to think that the Bundesbank's already highly delicate task is being complicated by further personality games.

Loose talk

■ Meanwhile allusions to alcoholic as well as financial liquidity have crept into the row over whether recession is being prolonged by the Bundesbank's monetary policy, which economists in America have dubbed "super tight".

Vice-president Tietmeyer says he has no qualms about the high interest rates, which have nothing to do with sluggish economic growth.

But he does object to being referred to publicly as one of a "super-tight team".

Rescheduling

■ Bob Phillis and Liz Forgan haven't even arrived at the BBC yet, but that has not stopped their futures being mapped out. Phillis, the 47-year-old ITN boss, who takes over as deputy director-general, is only one year younger than John Birt, the new director-general. But he is already being seen as Birt's natural successor.

The precedents are already well established. The last two deputy DGs, Birt and Sir Michael Checkland, went on to get the top job. Liz Forgan, 48, who comes from Channel 4 to be managing director of BBC Radio, would – after a spell in BBC Television – be well placed to become the first woman to make it to deputy DG.

Such changes may not be as far away as some appear to suspect. John Birt is unlikely to stay longer than his five-year term.

'I'm the editor of a major national newspaper'

Once the place is restructured and the BBC's Royal Charter is renewed in 1996, Big Brother Birt will want to be off in search of new conquests.

Rocketing

■ Captain Kirk of the Starship Enterprise must be spinning in his extra-terrestrial grave; now even the mystique of outer space is to be invaded by the greatest terror known to the galaxy – the mightily-feared Ad-man.

Ad-man has recently been advancing on all fronts here on planet earth, recently even managing (in the US) to sell advertising space at the bottom of the little holes down which golfing fanatics try to drop white balls.

Now Ad-man is set to boldly go where no toothpaste has gone before, conquering what is perhaps the final frontier, by buying and selling advertising space on the side of Nasa rockets.

The going rate, according to Advertising Age, is about $500,000 for 58 square feet on the side of a Conestoga 1620 expendable rocket, for launch probably on March 31.

Cherry picker

■ Few ex-diplomats can have picked up as many advisory jobs in such a short space of time as Sir John Whitehead, Britain's ambassador to Japan for six years until his retirement last summer.

He has set up office at Morgan Grenfell, where he's a senior adviser, and is also advising the president of the Board of Trade and the Welsh Development Agency. Last week Guinness made him its international affairs adviser, and yesterday it was Inchcape's turn to recruit him as adviser on Japanese affairs. It seems that Cable and Wireless is about to hire him, too.

Since he was dashing for a flight to Japan at the start of a packed three-week programme, he didn't have time to answer Observer's query about how many more such juicy jobs he planned to take. But it sounds as though he already has enough on his plate, if he's going to give value for money.

Labour day

■ Certain extra-curricular dealings with Britain's local government union Nalgo have reminded Observer of the strike-bound company chief who offered the shop stewards a series of concessions, hoping they'd order a return to work.

The first, a 50 per cent pay rise, produced no reaction whatsoever. Neither did eight weeks' holiday a year. Desperately, he added that the workforce need come in only on a Friday – at which one of the stewards finally spoke up.

"What, every Friday?" he said.

FINANCIAL TIMES
Thursday January 14 1993

W German growth continues decline after hitting 10-year low

By Christopher Parkes in Frankfurt

WESTERN Germany's growth rate is continuing to fall rapidly after hitting a 10-year low in 1992, according to the Bonn economics ministry.

Figures released yesterday by the federal statistics offices showed gross national product rose only 0.8 per cent last year, after a 3.6 per cent increase in 1991. This was the worst result since 1982, when the economy shrank by more than 1 per cent.

A senior finance ministry official said negative growth this year could no longer be ruled out, while the economics ministry said the faster slowdown in the final quarter of 1992 would be a "burden" on future prospects.

Despite forecasts of up to 1 per cent contraction this year, the government remains confident that the economy does not face a period of extended recession.

Mr Horst Köhler, state secretary in the finance ministry, said he did not expect a "cumulative decline". Conditions for recovery were good: the banks were strong, and in contrast to other industrial economies, savings and investment were high and the infrastructure was intact, he told a financiers' meeting.

Mr Wolfgang Strohm, a senior government statistician, said the economy probably contracted "modestly" in the last quarter of 1992. Full details will not be available until March.

However, further evidence emerged yesterday from two of Germany's strongest regional economies to show that industrial conditions are worsening dramatically. Manufacturing output in Bavaria during November was 7.8 per cent down on the same month in 1991, while production in Hesse fell 5.9 per cent.

The first figures combining western and eastern growth statistics since unification in 1990 showed pan-German GNP rose 1.3 per cent last year. Gross domestic product, which excludes overseas earnings, increased 1.9 per cent to a total value of DM3,004bn ($1,844bn), of which the lame-duck eastern economy contributed just DM232bn.

GDP in the west rose 1.5 per cent and 6.1 per cent in the east. But as the economics ministry pointed out, there is still no sign of a self-sustaining recovery in the former GDR, home to 20 per cent of the German population. Although average wages there now stand at 63 per cent of western rates, productivity is less than 40 per cent of levels in the west.

● East German engineering and metal workers were yesterday offered a 9 per cent pay increase for this year in the first round of talks aimed at slowing wage escalation.

Employers claimed they could no longer afford a previously agreed 26 per cent rise, and want to renegotiate a deal under which eastern workers have been promised pay parity with their western counterparts by 1994.

Volkswagen plans, Page 13

Burning city: Bombay residents pass buckets of water to fight fires after eight days of rioting between Hindus and Moslems that have left more than 500 people dead, according to hospital reports. However, police say the situation has improved and curfews have been relaxed.

British Steel to raise prices by up to 13%

Andrew Baxter

BRITISH STEEL plans to raise prices on some of its main products by as much as 13 per cent in a bold attempt to halt the fall in prices that has sent the European steel industry into one of its deepest ever recessions.

The privatised UK steelmaker says it will raise prices on plates and sections by 4-7 per cent on March 1, while strip mill products will rise by 11-13 per cent.

The price increases are likely to be followed soon by other big European steel producers, according to observers. British Steel warned that the scale of price reductions over the last few months would necessitate further increases later in the year.

European steel prices have fallen by 30 per cent or more since 1989, and producers say current levels are not sustainable if the industry is to fund investment without making catastrophic cuts in capacity. Almost all the big European producers are losing money: British Steel lost £51m ($77.5m) pre-tax in the half-year ended October 3.

Yesterday's announcement comes almost exactly a year after British Steel said it would raise prices of its flat-rolled products by between 3 and 4 per cent from April last year. But the increases failed to stick for long because of overproduction by the big European steel producers in the first three quarters of last year. Imports of cut-price east European steel, which western producers allege is unfairly subsidised, also helped depress prices.

However, in November and December almost all west European producers cut their crude steel output sharply. Mr Peter Fish, managing director of MEPS (Europe), the Sheffield-based steel consultancy, said: "If the producers can follow up with more production cuts in the first quarter, I'm almost convinced there will be a turn in prices for deliveries in the third quarter of 1993."

British Steel said the price rises announced yesterday would combine with further increases in efficiency to help offset recent cost increases, including the effects of the sterling devaluation on dollar-denominated raw materials.

Earlier this week, MEPS forecast that steel demand in Europe was likely to decline further this year. It estimated that European Community crude steel output would fall from an estimated 132.5m tonnes in 1992 to 130.5m tonnes.

The UK, it says, is the only leading producer country likely to increase steel production in 1993, with output forecast to rise to 16.7m tonnes from an estimated 16.1m tonnes last year.

"The substantial currency devaluation will keep UK exports at a competitive level throughout the year," says the consultancy. Furthermore, domestic demand for steel should increase slightly in the second half of the year.

EBRD plans rouble funds to rebuild Russian industry

By Peter Norman, Economics Editor

THE European Bank for Reconstruction and Development is drawing up plans for one or more "rouble funds" to help modernise Russia's agriculture and to restructure its military industries.

Mr Ronald Freeman, the bank's first vice-president responsible for investment banking, said bank staff were working intensively on the project and hoped to present it to the EBRD board for approval before the middle of this year. If approved, the plan could be operating by the end of this year.

According to Mr Freeman, there will probably be separate rouble funds to harness western investment capital and Russian domestic savings for agriculture investment and military conversion. They will be similar in concept to sector funds in the US. The EBRD will identify promising projects in the privatised industrial and farm sectors.

It will invite western investors, such as pension funds, to subscribe hard currency equity capital to the funds to finance the western imports needed for the projects. At the same time, Russian investors will be offered holdings in the funds that would be subscribed in roubles.

The idea is that western investors could look forward to a potentially large return on their investments if the projects prosper, while the equity nature of the funds would also offer Russian investors a chance to protect their rouble savings from inflation. The EBRD itself would take a significant initial stake of perhaps a quarter to a third of the funds, but would expect this share to fall as the investments become established.

Mr Freeman cautiously estimated the funds could total between some tens of millions of dollars to $100m.

The EBRD, which was set up two years ago by western and former communist states to help the former communist states develop market based economies, has drawn up its plans following a request from President Boris Yeltsin for the bank to become more involved in modernising Russian agriculture and converting military industries to peaceful ends. News of the initiative emerged in the making of a television programme about the EBRD, called *Capitalism goes East*, which will be broadcast in Britain on Channel Four on Sunday.

Private sector companies have set up similar funds in developing countries and former communist states. But Russia presents some difficulties.

The biggest immediate problem will be to find an appropriate exchange rate for converting the western capital to roubles.

In spite of hyperinflation in Russia, the bank believes that the rouble is badly undervalued against the dollar and other western currencies.

It will have to persuade western investors to share this view.

The availability of suitable projects will also depend on how quickly privatisation proceeds in Russia, although Mr Freeman and his colleagues are encouraged by the support being given to the idea of privately owned business by Russia's politicians.

Although Russia proposed the funds as a way of bringing together western capital and domestic savings, legal and valuation problems also have to be overcome.

At the present rouble-dollar exchange rate, Kirovsky Zavod, a huge industrial complex in the port area of St Petersburg, employing 30,000 people, has a book value of just $800,000.

Debt talks called off, Page 2

Allied air attack on Iraq

Continued from Page 1

think what's come out of Washington ought to tell everyone in Baghdad and everywhere else that the president's patience has run out."

Mr Warren Christopher, who has been nominated by President-elect Bill Clinton to succeed Mr Eagleburger, told a Senate confirmation hearing: "I say with great determination that Saddam Hussein should not doubt for a second that we, the incoming administration, will meet that test. President Clinton will insist upon the unconditional compliance with the UN resolutions."

In Britain, Mr John Major's agreement to the air strikes won almost universal backing in the House of Commons.

Leaders of the two main opposition parties backed the UK government's determination to punish Iraqi breaches of UN resolutions.

Earlier yesterday in Baghdad, an editorial in the government newspaper al-Jumhouriyah revived Iraq's claim of sovereignty over Kuwait, vowing that "Kuwait shall return to Iraq in defiance of the Security Council and America" and as an "integral part of Iraq".

Exchanges

Continued from Page 1

method. The cost of acquiring the system has not yet been agreed, though a memorandum of understanding on the link, approved by both boards, has been approved.

At a later stage, new products may be launched jointly, or existing products added to the agreement.

For the DTB, the agreement offers a fresh opportunity to increase its market share in German Bund future trading, which is currently dominated by Liffe with around 70 per cent of the market.

THE LEX COLUMN

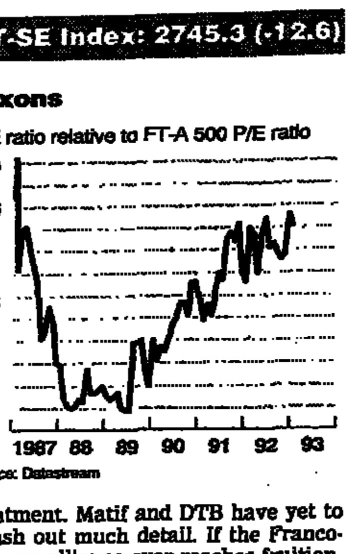
Electric shocks

Dixons must wonder when its American nightmare will end. The $330m purchase of the US Silo chain in 1987 has proved a terrible *folie de grandeur*. Even the company has now given up pretending it has the answer. It is closing some stores in middle America, tinkering with new retailing ideas and replacing the US management, but it will be at least a year before Dixons itself knows whether it has a business worth resuscitating. Meanwhile, there are alarming signs that the company's touch has not improved. Silo is moving into the highly competitive home office equipment market where margins are slim. It also intends to confront the likes of Circuit City head on in the big cities, when it is at least arguable that it has a better chance of making money in the backwoods.

Besides, there is also an uncomfortable sense that Dixons would close the whole operation if only it could afford it. Unfortunately that would cut fixed assets by almost half, severely straining the balance sheet. The alternative is at least a five-year haul, with endless management time being wasted, the majority of shops being moved and more money being poured into new fittings.

The drag on the shares caused by the US fiasco can only be made worse by the worry that Silo's losses may increase. At least Dixons has its UK business to keep it warm, but even the expected rebound in earnings as the economy recovers may not be as sustainable as it looks. Dixons earns substantial profits from highly optional warranty premiums, and import price increases may well deter buyers, however hard the industry tries to bamboozle customers with changing model specifications.

FT-SE Index: 2745.3 (-12.6)



Source: Datastream

Futures Exchanges

Yesterday's agreement between the Paris and Frankfurt futures exchanges suggests there are still too many European markets chasing too little liquidity. Even without monetary union, the existence of more than 20 independent exchanges seems hard to justify. If the Ecu ever makes the grade as a common currency, instruments denominated in D-Marks or guilders will be an anachronism. By banding together last year, four of the smaller fry recognised as much. Unlike that alliance, a partnership of Europe's second and third largest exchanges could mount a credible challenge to Liffe.

There is plenty of scope for disappointment. Matif and DTB have yet to thrash out much detail. If the Franco-German alliance ever reaches fruition, though, the exchanges will be trading the same contracts on a common screen-based system with compatible arrangements for clearing and the like. Since the success of any contract turns on its ability to attract liquidity, Liffe would then be hard pressed to maintain its enviable record of capturing market share.

All the more so if other exchanges join up too. Having put the DTB's nose out of joint with the success of its German bond future – and won more than one head-to-head contest with the Matif – that route is hardly open to Liffe. Its international membership and faith in open-outcry trading have traditionally pulled the crowds. Splendid isolation may be more difficult to justify.

Body Shop

Body Shop appears in dire need of one of its famously soothing lotions as it continues to ooze bad trading news. The worrying aspect is that much of its weakness appears particular to itself. Body Shop reported a 2 per cent decline in UK sales in the nine weeks before Christmas; its rival, Boots, increased sales of its comparable Natural Collection range by 30 per cent in its final quarter. It is hard to escape the conclusion that Body Shop's high prices are wildly out of line with those of its competitors. Sales are suffering as a result. In the aberrant 1980s, retailers might have got away with selling high volumes of high margin goods. In the current climate, they are only likely to make their sums add up if they sell high volumes of low margin goods or vice versa.

Body Shop can recover. The fundamental business is sound enough. International opportunities are still considerable, while its customer appeal remains strong. Its strategic review may well throw up enough innovative ideas to reshape the business. Nevertheless, the days of extraordinary growth must surely have ended – although the market still does not seem fully to appreciate the fact. At more than 20 times consensus forecast earnings, Body Shop's rating may no longer be extravagant; just plain expensive.

First Leisure

Not many companies have come through the recession with gearing of just 12 per cent and pre-tax margins of 29 per cent. That First Leisure has managed to do so testifies to the quality of a management that refused to be seduced by the deceptively easy opportunities of the late 1980s. But it also suggests First Leisure may be an innately cautious company which will be slow to exploit the recovery. The question matters because First Leisure is approaching the time when it will have to rely on more than just organic growth to justify a historic multiple of 21.

Investors might be willing to forgive the poor outlook for earnings this year. Not only will the pace of site openings slow; the company will also face an increase in its tax rate that was held down to an abnormally low 20 per cent in 1991-92 as a result of unclaimed capital allowances. A spate of site openings around the end of the current year and, presumably, some economic recovery should see a return to a more robust growth rate in 1993-94. First Leisure is also now well placed to take advantage of cheap property prices in the southeast to expand in a region which has hitherto seemed too expensive.

That will still leave only limited growth prospects. First Leisure needs something more. Bingo seems the most likely possibility, but it will not be easy. Bass and Rank dominate the business. Neither is likely to prove a willing seller, which seems to block the acquisition route. Both would surely move to counter any competitive threat even if this were confined to under-exploited "out-of-town" sites. First Leisure cannot prevaricate indefinitely, though, if it wants to outperform.

World Weather

		°C	°F
Ajaccio	F	15	59
Algiers	S	17	63
Amsterdam	F	5	41
Athens	F	15	59
Bahrain	F	17	63
Bangkok	C	32	90
Barcelona	S	15	59
Beijing	S	0	32
Beirut	S	15	59
Belfast	C	2	36
Belgrade	S	11	52
Berlin	S	6	43
Biarritz	S	20	68
Bombay	S	30	86
Bordeaux	S	18	64
Boulogne	C	8	46
Brussels	F	7	45
Budapest	S	9	48
Buenos Aires	F	35	95
Cairo	S	15	59
Cape Town	S	24	75
Caracas	C	26	79
Casablanca †	S	16	61
Chicago †	Sn	1	34
Cologne	F	5	41
Copenhagen	C	5	41
Corfu	S	15	59
Dallas †	S	-1	30
Dublin	R	5	41
Dubrovnik	S	13	55
Edinburgh	R	3	37
Faro	S	16	61
Florence	C	12	54
Frankfurt	F	4	39
Geneva	F	9	48
Gibraltar	S	15	59
Glasgow	C	4	39
Helsinki	F	1	34
Hong Kong	F	20	68
Innsbruck	F	7	45
Inverness	F	3	37
Islamabad	F	15	59
Istanbul	S	9	48
Jakarta	R	29	84
Johannesburg	F	26	79
Lisbon	C	17	63
London	R	9	48
Los Angeles †	R	12	54
Luxembourg	R	2	36
Madeira	S	17	63
Madrid	C	8	46
Majorca	F	16	61
Malaga	S	16	61
Malta	S	18	64
Manila	F	32	90
Melbourne	S	20	68
Mexico City	F	24	75
Miami †	S	23	73
Milan	Dr	5	41
Montreal †	C	-10	14
Moscow	C	1	34
Munich	F	8	46
Nairobi		–	–
Naples	S	14	57
Nassau	F	28	82
New Delhi	S	17	63
New York †	R	3	37
Nice	C	18	65
Nicosia	S	15	59
Oporto	C	14	57
Oslo	S	4	39
Paris	F	12	54
Prague	S	6	43
Reykjavik	C	-2	28
Rhodes	S	14	57
Rio d'Janeiro	C	36	97
Rome	S	15	59
Salzburg	F	8	46
S'Francisco †	R	13	55
Seoul	C	2	36
Singapore	F	29	84
Stockholm	F	5	41
Strasbourg	F	5	41
Sydney	C	21	70
Taipei	C	24	75
Tangier	F	16	61
Tel Aviv	F	12	54
Tenerife	F	19	66
Tokyo	F	11	52
Toronto †	R	-5	23
Tunis	S	16	61
Valencia	S	17	63
Venice	Fg	6	43
Vienna	F	10	50
Warsaw	S	5	41
Washington †	Dr	6	43
Zurich	F	8	46

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

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FINANCIAL TIMES
COMPANIES & MARKETS

Thursday January 14 1993

INSIDE

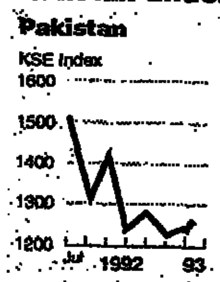
Spanish directors quit at Cofir

The future of the Spanish operations of Mr Carlo de Benedetti's Cerus group is in doubt after several directors of Cofir, the Spanish holding company, resigned. "We once had high hopes but there has been an absence of strategy and our expectations have come to nothing," one former board member said yesterday. Page 14

Japanese bank quells rumours

Nippon Credit Bank executives, tired of reassuring clients and partners that bad property loans were not sinking the bank, dismissed rumours of a restructuring when a former finance ministry official, Mr Hiroshi Kubota, was named as NCB's next president. His appointment, the bank insisted, was simply *amakudari* – descending from heaven – the transition from government to a corporate post. Page 16

Pakistan under pressure



Pakistani equities are expected to remain under pressure during the first quarter of this year, after a disappointing performance in 1992. In the first two weeks of 1993 the Karachi Stock Exchange index has recovered some ground on good company earnings forecasts, having ended 1992 some 26 per cent down on the year. Back Page

US losses cut Dixons to £14m

Losses in its US chain brought half-time pre-tax profits at Dixons, the UK electrical goods retailer, down from £17.5m ($26.6m) to £14.2m in the 28 weeks to November 14. Mr Stanley Kalms, Dixons' chairman, said he was fairly confident UK sales would continue the improvement seen in the first half and over Christmas, although recovery was fragile. Page 18

Airtours' hostile bid draws flak

Airtours' hostile £215m bid for rival holiday company, Owners Abroad, has run into opposition from consumer groups and smaller tour operators, while the Consumers Association is requesting referral of the bid to the Monopolies and Mergers Commission. Mr Noel Josephides, chairman of the Association of Independent Tour Operators, has warned that "the future of the travel industry under a duopoly will be grim". Page 18

UK sales hit Body Shop shares

Disappointing pre-Christmas UK sales for Body Shop International knocked almost 9 per cent off its share price yesterday, while analysts trimmed profit forecasts. However, US and international sales grew strongly, reflecting the group's expanding overseas business and investment. Page 18

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Wella Prf	610	+	10
Falls			
GEHE	368	–	8
Hochtief	905	–	18
Kaufhof	389	–	11
Metallgesellschaft	317.1	–	14.9
Varta	283	–	7

NEW YORK ($)			
Rises			
Gen Dynamics	109⅛	+	3⅛
Intel	108¾	+	6¾
Lockheed	58¾	+	1½
Falls			
Amer Airlines	65⅜	–	1⅜
Philip Morris	73	–	2
UAL	126¾	–	2¾

New York prices at 12:30.

PARIS (FFr)			
Rises			
Roussel-Uclaf	433	+	9
Falls			
Geophysique	548	–	14
LVMH	3260	–	161
Pinault	271.1	–	7
Sommer-Allibert	1183	–	37
UAP	476.3	–	16.7

TOKYO (Yen)			
Rises			
Chugokukogyo	395	+	25
Falls			
Inabata	1060	–	70
Meiji Machine	201	–	14
Nippei Toyama	366	–	25
Suzuki Metal	330	–	25
Toa Valve	490	–	35

LONDON (Pence)			
Rises			
Barry Birch	160	+	23
Colorvision	94	+	5
Critchley	277	+	13
Elliott (B)	57	+	12
Hillsdown	143	+	8
Hi-Tec Sports	42	+	4
Manchester Utd	367	+	18
Matthews (B)	49	+	3
NSM	75	+	5
Nurdin Peacock	186	+	9
Rainers	15	+	2
Rhino	24	+	3½
Vickers	121	+	8
Whessoe	317	+	13
Wimpey (G)	115	+	6
Falls			
Acorn Computer	56	–	6
Alexon	68	–	9
Babcock Intl	32	–	5½
Body Shop	153	–	15
Burn Stewart	139	–	11
Dalepak Foods	293	–	24
Dixons	225	–	29
Flextech	71	–	4
Hornby	154	–	10

VW approves DM76bn spending plan

By Christopher Parkes in Frankfurt

VOLKSWAGEN, Europe's leading carmaker, is to press ahead with a heavy investment programme in spite of the recession.

The group's supervisory board yesterday approved a five-year spending plan that will inject almost DM76bn ($47.7bn) into the business by the end of 1997.

More than half, DM45.3bn, will be spent on the vehicles business, while the rest will further bolster the group's leasing and sales financing arm, estimated to have a 20 per cent share of the German leasing market alone.

An earlier expenditure programme for 1992-96 had earmarked DM51bn for investment in vehicles.

A statement published after the meeting, the first under the guidance of Mr Ferdinand Piëch, group chairman since January 1, said adjustments were in the light of the current economic situation. All projects were under review, it added.

However, present difficulties appear to have had only a modest dampening effect on the group's plans, which include construction of a DM4.3bn plant in Mosel, a new works in China and expansion of the Seat and Skoda subsidiaries.

Spending in vehicles divisions in this financial year will fall below DM9bn, compared with DM9.9bn last time, the company said, but rise later to average more than DM9m a year. There was no mention of further job cuts or other economies, widely expected after Volkswagen's slump into loss in the fourth quarter of last year, warnings of a dividend cut, and company forecasts of a 20 per cent fall in domestic demand for cars this year.

The group, which employs 273,000 worldwide, cut almost 7,000 jobs last year, pruned planned investment spending by DM3bn, and imposed extensive short-time working at the turn of the year.

Earlier this week it denounced reports that 30,000 further jobs were to go by the end of next year. The supervisory board also appointed Mr Martin Poth, personnel director, to a newly created role as board member responsible for the Asia-Pacific region.

Volkswagen shares closed down DM4.40 at DM258.50 in Frankfurt before the outcome of yesterday's meeting was known.

Intel sales grow 54% in fourth quarter

By Louise Kehoe in San Francisco

INTEL, the world's largest semiconductor supplier, yesterday posted record sales and earnings for 1992, outperforming even the most optimistic Wall Street projections.

The Californian company's stock rose $5¼ to a high of $107¾ at midday.

Intel's growth reflects strong sales of personal computers for which Intel is the leading supplier of microprocessors. Intel said it had exceeded its goal of shipping 4m to 5m 386 and 486 microprocessors in the year.

Mr Andrew Grove, president and chief executive, said: "Our business is in excellent shape as the new year begins, with strong demand across most of our product lines."

Fourth-quarter sales rose 54 per cent to $1.86bn, up from $1.21bn a year earlier, while net profits surged 127 per cent to $429m. Earnings per share were $1.97 against 90 cents for the previous fourth quarter. Analysts had projected per-share net income of about $1.59.

Booming sales in the fourth quarter completed a strong year for Intel with turnover for the 12 months up 22 per cent at $5.84bn, compared with $4.78bn in 1991. Net profits were $1.07bn, or $4.97 per share, up from $819m or $3.92 a share.

Intel said sales of other products, including standard semiconductors, and networking products, were strong.

This year Intel is expected to introduce its next generation of microprocessors, called Pentium. The powerful devices are expected to be used initially to power mid-range computers called "servers" that are linked to personal computer networks.

Problems in Lloyd's market have spread, writes **Richard Lapper**

Crisis reaches small insurers

THE widely publicised problems of the Lloyd's insurance market have distracted attention from the growing difficulties faced by many of London's smaller insurance companies.

Over the past two years a dozen of the more than 100 "London market" companies, which insure risk in the same way as syndicates at Lloyd's, have been driven into insolvency by a wave of losses from catastrophes and US pollution and asbestosis awards.

Many others have radically cut back their involvement in the specialised marine, aviation, liability and reinsurance business and are drawing on the resources of wealthier parent companies to meet heavy claims.

The attempt by Trinity Insurance, a general insurance company which collapsed last year, to reach a new agreement with its creditors has highlighted this growing crisis.

"Many companies are now under a level of duress never previously known . . . several operations no longer appear to have the necessary critical mass for the business they are in," concluded Standard & Poor's, the US credit rating agency, last year.

Larger brokers are refusing to place business with companies which have capital of less than £50m, says Ms Julianne Jessup, of De Lisle Jessup Scott, the insurance consultancy.

"Brokers take the view that with the current unpredictability of claims there isn't a big enough margin of error with the smaller companies," said Ms Jessup.

Mr Cliff Hampton, of Phoenix Securities, says that smaller companies are missing out on better-quality business provided by the bigger brokers and suffering worse underwriting results, and that many smaller companies may merge.

There is scope for rationalisation, as 134 companies trading in London (excluding the branches of foreign companies) in 1990 had average shareholders' funds of only £16.6m each, according to S&P, which adds that the number of companies whose financial security is rated "vulnerable" has risen to 41 compared with 27 at the end of 1991.

Documents sent last week to creditors of Trinity Insurance said that "imprudent" investments had contributed to Trinity's collapse last year. But Mr John Winter, the company doctor who has superintended the company's affairs over the past few months, says: "Trinity would have a had trouble anyway simply because of its small capital base."

He says 12 other insolvent London market insurance companies are likely to follow Trinity's example and negotiate schemes of arrangement with creditors and policyholders. Schemes allow directors to remain in charge of companies during their winding down under the supervision of an insolvency practitioner, avoiding the need for a liquidation, which can delay payments to policyholders for years.

Companies currently negotiating schemes include other small independent companies such as Bryanston (a sister company of Trinity, also ultimately owned by GFA Holdings), Andrew Weir, Chancellor, as well as a number of subsidiaries of the London United Investments, the property-to-investment group placed in administration early in 1990.

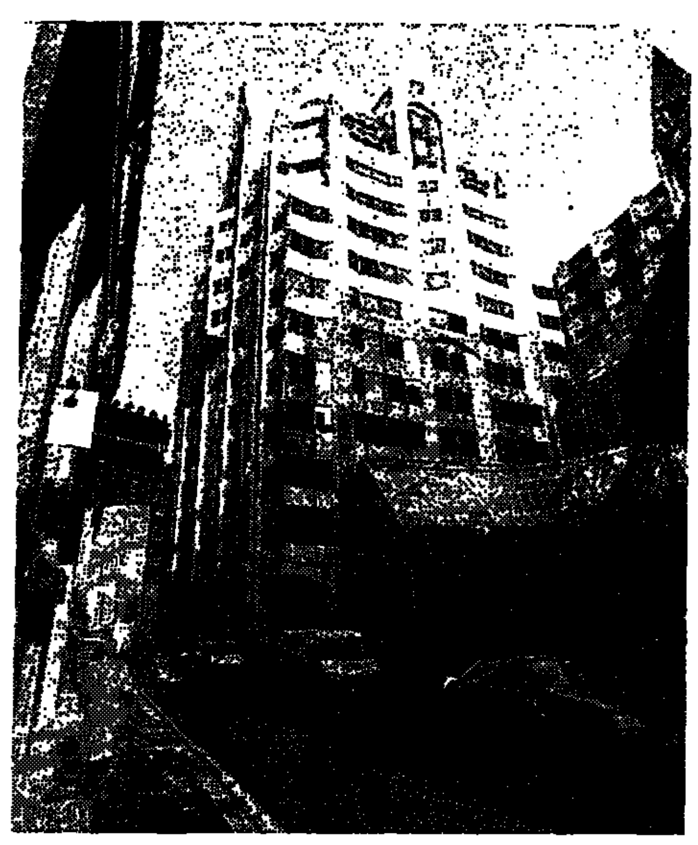
Mr Chris Keeling, deputy chairman of English & American, another small independent company, said he was forced to stop underwriting after its backers – which include Crédit Suisse, the Swiss bank – refused to inject more capital. English & American, whose management is highly regarded, saw net assets dwindle to below £29m after losses on its marine cargo account.

"In my view the days of the small independent London market company are numbered," said Mr Keeling.

Among subsidiaries of bigger European or US insurance companies to withdraw are Orion, which is owned by the Dutch group ING, while NWRe, a London market company jointly-owned by Norwich Union, Winterthur the Swiss company, and Chiyoda of Japan has scaled back its involvement in the marine and some other areas of the London market. The reinsurance subsidiaries of Royal Insurance and Prudential are both cutting back on London market business.

Since the beginning of 1991 the Institute of London Underwriters, which provides back-up services to companies specialising in marine, aviation and transport insurance, has lost 19 of its 114 members.

Mr Anthony Funnell of the ILU expects the trend to continue and says that increasingly companies with less than £20m in assets will find it difficult to survive. "It will be the survival of the biggest and the fittest."



Tony Andrews

Troubles in the London insurance market could pose problems for Market Building, which has developed an insurance exchange for companies, the London Underwriting Centre (above). Many prospective tenants have had to rethink their commitments.

BAe set for deal with Taiwan Aerospace

By Paul Betts, Aerospace Correspondent

BRITISH Aerospace is on the verge of finalising a £240m ($370m) joint venture with Taiwan Aerospace to manufacture and develop regional jets.

The agreement, which is fundamental to the restructuring and recovery strategy of BAe's loss-making civil aircraft business, is expected to be signed at the end of this week or next week at the latest.

BAe confirmed that its talks with Taiwan Aerospace were making "good progress", while Mr George Liu, Taiwan Aerospace's vice-president, was quoted by the Taiwan Economic Daily News as saying a final agreement with BAe would be signed on Friday.

The deal is particularly important for BAe because it will secure the future of its regional jet activities and unlock the next stage of the company's civil aircraft restructuring.

BAe has also decided to keep its Space Systems division which the company had earlier planned to shed as part of its overall restructuring. The decision follows BAe's rejection of a bid from Matra Marconi Space, the space partnership between the UK General Electric Company and Matra of France. BAe and Matra Marconi failed to agree on a valuation for the BAe space business.

BAe announced in September it had reached a preliminary agreement with Taiwan Aerospace to form a regional jet partnership as part of a restructuring of its civil aircraft business which included £750m after-tax provision to be taken as an exceptional charge in its 1992 accounts. Aerospace analysts yesterday said the Taiwan deal would enable BAe to release a large amount of provisions to help accelerate this reorganisation.

Taiwan Aerospace is expected to pay BAe about £120m for its 50 per cent share in the joint venture. The deal will also help preserve the residual value of existing BAe-146 regional jet aircraft.

About 200 BAe-146 aircraft are in service of which many are leased by BAe to airline customers. The value of these aircraft would have collapsed if BAe had been forced to close down 146 production.

Under the agreement, BAe's new Regional Jet range of aircraft will be jointly produced at BAe's Woodford plant, near Manchester, and in Taiwan.

Siemens sets up separate internal fund management arm

By David Waller in Frankfurt

SIEMENS, the Munich-based electronics group, is to become the first German company to set up a separate internal investment management subsidiary, hiving off the management of funds provided to meet its pension liabilities.

At the same time it plans to raise from DM3bn to DM5bn-DM6bn the amount invested through so-called "special funds", dedicated investment funds used by German companies among other things to finance their pension obligations. About half of the DM3bn invested at present is managed by Deutsche Bank.

The decision to increase the amount invested through special funds, and to consolidate the management through a new entity, signals a further step in the development of pension fund investment in Germany.

The company, whose enormous cash resources are such that it is often labelled a "bank with an electronics business attached" intends to transfer DM5bn-DM6bn to the new subsidiary within the next six months. Total cash resources are in the region of DM20bn.

Under German rules, there is no obligation for pensions monies to be kept legally separate from the companies' own cash resources, as in the UK and US.

Mr Herbert Lohnreiss, one of the new company's two managing directors, said Siemens had decided that over the longer term it would be better to manage this element of its cash resources "in-house".

He said the decision did not reflect dissatisfaction with the performance of the funds under management by third parties, or even a wish to save management fees. The funds will be invested for the long term in bonds and equities.

The new subsidiary, to be known as Siemens Kapitalanlagegesellschaft (SKAG), will employ around 12 people. The move, which has already been authorised by Germany's banking authorities, may establish a precedent for other German companies with large cash resources.

The move has interesting historical resonances as it was a member of the von Siemens family, founders of the electronics giant, who set up the Deutsche Bank 123 years ago. The bank subsequently grew to be Germany's biggest bank.

Siemens' financial strength has meant that it is less reliant on traditional banking relationships than other large German companies. It has no "house-bank", a German bank which could expect to get the lion's share of the company's domestic business.

GPA seeks extension of waivers

By Roland Rudd in London

GPA, the aircraft leasing group, is to ask its banks to extend temporary waivers to a potential breach of borrowing covenants because of a delay in its debt rescheduling agreement.

After a meeting yesterday of its key lenders, several banks involved in the restructuring talks said there was unlikely to be an agreement on debt rescheduling and a permanent change in covenants until February at the earliest.

The group had hoped that its bankers would be able to agree to defer up to $1bn of debt repayments by mid-January. However, a GPA spokesman said its original plan did not envisage its refinancing strategy being completed until the end of the first quarter of 1993.

The banks are expected to agree to the extension of the temporary waivers, although some have expressed concern that the negotiations are taking longer than expected.

GPA, which has total debts of $5bn, including bank borrowings of more than $3bn, needs a two-thirds majority of the banks – measured by loans – for the borrowing changes. Negotiations between GPA and the aircraft manufacturers are continuing.

The company has reached agreement to reduce its firm orders by more than $6bn, although the resulting penalties may adversely affect its results in 1993 and later years.

It no longer expects to conclude the talks by the end of the week and is prepared for the negotiations to continue into next month.

According to a participant in the talks, Boeing, Airbus Industrie and Fokker have proved more willing to reach an accommodation with GPA than McDonnell Douglas.

Talks with the aircraft manufacturers and bankers are conditional upon reaching an agreement with shareholders to raise new equity.

Several shareholders yesterday said they did not expect to consider whether to take part in any future equity financing until the second quarter of the year, although GPA said it still intended to approach investors by the end of March.

Cerus Spanish unit doubts after resignations at Cofir

By Tom Burns in Madrid

THE FUTURE of the Spanish operations of Mr Carlo de Benedetti's Cerus group is in doubt, following the resignation of several directors of Cofir, the holding company for the Spanish business.

Mr Jose Ramon Alvarez Rendueles, a former governor of the Bank of Spain who was chosen by Mr de Benedetti to be Cofir's founding chairman in 1988, resigned from his post and from the board as did fellow directors Mr Alberto Cortina, one of Spain's most prominent industrialists and Mr Javier Gurpide, a deputy chairman of Banco Bilbao Vizcaya.

"We are just very frustrated about our involvement in Cofir. We once had high hopes but there has been an absence of strategy and our expectations have come to nothing," one of the former board members said yesterday.

Mr Alvarez Rendueles, who is chairman of Banco Zaragozano, and Mr Cortina, who is one of the bank's main shareholders, represented Zaragozano's 12 per cent shareholding in Cofir and Mr Gurpide represented BBV's 10 per cent holding in the company.

Both banks named lower ranking representatives to Cofir's board in what is viewed as a temporary measure prior to their disinvestment from the company.

Mr Pedro Cuatrecasas, a Barcelona-based lawyer, was appointed Cofir's new chairman and Mr Gabriele Burgio, an Italian associate of Mr de Benedetti, was named managing director replacing Mr Juan Llopart, Cofir's chief executive since 1988, who left the company in November.

Cofir started operations during Spain's economic surge in the late 1980s and a series of quick deals, which included the acquisition of stock in Sanitas, a leading domestic health insurance firm that was subsequently sold to Britain's Bupa group, gave it the reputation as one of the most successful and aggressive operators in the country.

Cerus, which controls more than 40 per cent of Cofir, hit difficulties following its failed bid for Société Générale de Belgique, and, with the onset of the 1990s, Cofir began to lose its acquisitive drive.

Cofir, which is currently locked into costly real estate ventures in Madrid and on the Mediterreanean, is understood to have put on the market its 49 per cent stake in Bodegas Berberana, a leading Rioja wine producer and also its Portuguese subsidiary, Cofipsa.

Cofir nevertheless remains highly liquid with funds in excess of Pta20bn ($173m), which are mostly routed towards government paper.

Judge revokes Santander order

By Tom Burns

AN INVESTIGATING judge at Spain's senior monetary court yesterday revoked an order that had forced Banco Santander to post a Pta8bn ($70.7m) bond as surety against possible fraud charges.

Judge Miguel Moreiras, who ordered the bond on December 23, upheld an appeal issued by the bank against the surety but said he would continue investigating an alleged tax avoidance instrument promoted by Santander between 1986 and 1989 called loan assignments. A key element in Santander's appeal had been that the bank could not be investigated over any possible irregularities, and much less post a bond, unless prior charges had been brought against persons who by using the bank's services had sought to avoid taxes.

The bank had claimed that the loans assignments were not bound by normal fiscal guidelines on deposits until a government decree specifically made them so in July 1989.

Judge Moreiras said he had asked the internal revenue service of the Finance Ministry to define what tributary responsibilities might have been incurred by Santander's customers when they contracted loan assignments with the bank. Since more than 45,000 such assignments took place in the three-year period, the task facing the tax authorities appears to be a lengthy one.

Santander said the judge's request to the Finance Ministry was reasonable and the bank expressed its willingness to collaborate in clarifying this matter.

Banco Popular improves to Pta54bn

BANCO POPULAR, the Spanish commercial bank 47 per owned by non-Spanish institutional investors, yesterday reported net profits of Pta54.4bn ($468m) for last year, a rise of 9.6 per cent on 1991, writes Tom Burns.

Popular improved its return on average assets last year to 2.12 per cent from 2.01 in 1991 and will pay a dividend of Pta730 per share, a 10.6 per cent rise on last year's payout.

This is likely to be the best performance in the domestic banking sector during 1991.

Anticipating what is likely to be a sharp drop in profit margins among Spanish banks, Popular's results were down on last year's when it reported a 15 per cent increase in net income against 1990.

Non-performing loans on Popular's 1992 balance sheet rose by 28 per cent to Pta40.4bn and allowances for credit losses were up by 31.8 per cent to Pta33.3bn, a figure which represented 110.1 per cent of the mandatory bad debt coverage requirement.

French banks see further property loan losses

By William Dawkins in Paris

FRENCH banks will continue to shoulder losses from their exposure to the troubled property market for the next three to six years, but the worst seems to be over, the head of the AFB French banking association said yesterday.

The problems of the Parisian property market needed "a specific solution," but "this does not mean necessarily that there is need for financial assistance from the public authorities," Mr Michel Freyche, the AFB's president, told Les Echos newspaper.

"We need adjustments of fiscal and regulatory measures," he added. Banks wanted to spread their property provisions over time, as they did with sovereign debts, so as to benefit from a future improvement market conditions.

Mr Freyche was unable to estimate AFB members' exposure to the property market, where average commercial rentals in central Paris have fallen by 20 per cent from a peak three years ago. Estimates of French banks' property loans vary from FFr250bn ($45.4bn), by the Paris commercial court, to FFr500bn by Paribas and Suez, the investment banks. Estimates of the banking industry's property losses vary from FFr45bn to FFr80bn.

"By the end of three to six years, the crisis will be completely over and with it the potential losses," he said.

Mr Freyche gave a lukewarm reception to the tax and regulatory measures launched by the government last month to stimulate the property industry. The measures were "positive and useful but insufficient."

Last year had been "difficult, above all for banks strongly exposed to property," said Mr Freyche. "On top of this came the difficulties of the economic situation, with a record year for small business bankruptcies. I think, however, that 1993 will be a better year for provisions on individual risks. The biggest provisions seem to me to behind us," he predicted.

ABB loses battle for Polish group

By Christopher Bobinski in Warsaw and Anthony Robinson in London

THE two-year struggle by Asea Brown Boveri (ABB), the Swiss-Swedish power and electrical engineering group, to buy control of Rafako, Poland's biggest power-boiler producer, has been thwarted by a worker and management buyout.

The move is a setback for ABB's drive to build a dominant stake in the power-generating industries of eastern Europe. Over the last three years, ABB has concluded 26 joint ventures in eastern Europe, including several in Poland where its main company, ABB-Zamech, employs more than 50 per cent of the 16,000 people now working for the company's joint ventures in eastern Europe.

ABB last week announced a joint venture in the Czech republic, where it purchased a 67 per cent stake in the boiler, turbine and power plant division of Prvni Brnenska Strojirna (PBS), one of the country's largest power-plant producers. Last year, it reported $13m profit on sales of $125m.

The Rafako buyout announcement was followed by a similar development at the Szczecin shipyard on Poland's Baltic coast.

The yard, the most modern in Poland, is to be handed over for a "symbolic fee" to a consortium of domestic banks and companies, as well as management and employees, according to a letter of intent signed yesterday by Mr Janusz Lewandowski, privatisation minister.

"Wherever the terms of purchase offers are equal, plants should stay in Polish hands," Mr Lewandowski said yesterday.

Rafako was founded in 1949 and its boilers are installed in plants throughout the country, making it a key component of any energy industry modernisation programme. Last year, the debt-free company recorded sales of 501bn zlotys ($31.7m), around 20 per cent to export markets.

A new company owned by the 2,500 employees will purchase 50 per cent of the equity for 72.8bn zlotys, while management will subscribe to a further 5 per cent share and workers will individually purchase another 20 per cent. The remaining 25 per cent will be sold through a public offer.

Berlusconi confirms interest in GS

By Haig Simonian in Milan

MR SILVIO Berlusconi, the Italian media magnate whose privately-owned Fininvest holding company also controls the listed Standa retailing group, yesterday confirmed his interest in buying GS, the supermarkets chain owned by the state-owned SME foods, catering and retailing concern.

SME is being split up before disposal as part of the government's privatisation drive. However, the fate of its retailing activities remains unclear amid signs that IRI, Italy's biggest state holding company which controls SME, would like to retain significant roles in retailing and catering.

GS accounted for almost 40 per cent of SME's total group sales of L5,814bn ($3.9bn) in 1991. Apart from GS supermarkets, the unit includes a rising number of out-of-town hypermarkets, which are one of the fastest-growing areas of Italian retailing.

Mr Berlusconi bought Standa in 1988 from the Montedison chemicals group. The company, which is Italy's biggest retailing concern, made net profits of L31bn on sales of L4,028bn in 1991.

Although earnings have improved substantially in recent years, Standa continues to suffer from a downmarket image and an unfocused range. However, its Euromercato hypermarkets subsidiary has shown sharp growth following heavy investment in new outlets.

Mr Berlusconi said Standa's 1992 sales, not due to be released until later this year, improved by 10 per cent last year, coming in "some L30bn over budget".

● Mr Berlusconi also said that Mondadori, Italy's biggest publishing and magazines group, should show sales of L1,600bn last year, against L1,460bn in 1991. Mr Berlusconi confirmed the group, which was subjected to a bruising battle for control between himself and Mr Carlo De Benedetti before being divided in 1991, was now in sound financial shape.

Disposals at Ciments Français

By Alice Rawsthorn in Paris

CIMENTS Français, the scandal-scarred French cement group, has raised FFr600m ($109m) by selling peripheral businesses to try to cut its debts and to offset the losses from the off-balance sheet dealings discovered last autumn.

The disposals, which were completed before the end of last year, include Ciments Français' 32.9 per cent stake in Guintoli, the French building company at the centre of the scandal; part of the group's stake in Scori, an industrial concern; and mineral interests.

The FFr600m raised will be injected into Ciments Français' 1992 accounts. However, the group will continue to benefit from the subsequent fall in its financial costs due to the cut in the interest payments on its debt.

Ciments Français has been clouded by controversy since the discovery in September of hefty losses on its off-balance sheet dealings estimated at FFr1.05bn.

The company has already announced it fell into the red with a net loss of FFr740m in the first half of 1992 (from net profits of FFr113m for the same period of 1991) mainly because of the FFr655m exceptional losses on its off-balance sheet dealings. It said yesterday that despite the additional FFr600m, its full-year results would still be "bad".

ABN Amro may withdraw Breevast offer

ABN AMRO, the Netherlands' largest bank, will not proceed with a proposed tender offer worth up to Fl 105.6m ($57.7m) for Breevast, a Dutch property investment company, unless the Finance Ministry lifts a claim lodged against Breevast, writes Ronald van de Krol.

In mid-December, ABN AMRO, which owns a 21 per cent stake in Breevast, said it expected to launch a tender offer of between Fl 15 and Fl 16 for the outstanding 6.6m shares it does not own. But the companies said yesterday Breevast was presented with an unspecified financial claim by the ministry in late December.

Loss expected at SAS after krona devaluation

By Christopher Brown-Humes in Stockholm

SCANDINAVIAN Airlines System (SAS) is set to record a loss for the third successive year in 1992, following the devaluation of the Swedish krona which will produce a SKr1.2bn ($162m) one-off loss.

The company declined to estimate its year-end figures, but analysts believe the loss is likely to be around SKr700m. In the first six months of last year, the airline recorded a SKr502m profit, but is believed to have been held to a break-even operating result in the second-half because of recession and intensifying competition, particularly in the Swedish market.

SAS said that during 1992 the krona fell by about 27 per cent against the dollar and by 20 per cent against the D-Mark, helping to aggravate the group's debt from SKr18bn to SKr25bn since the krona was floated in November.

The currency loss might have been greater but for a strategy of switching a portion of foreign currency debt into Swedish kronor during the last few months of 1992, the airline noted.

SAS said the krona's devaluation would have a limited impact on its 1992 operating result.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 14.01.93: Pool purchase price £/MWh	Final Prices for Trading on 17.12.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.49	17.70	17.70
0100	20.25	23.03	24.18
0130	22.61	24.90	26.11
0200	22.61	24.90	26.08
0230	20.25	23.03	24.11
0300	20.25	23.03	24.12
0330	20.25	20.56	20.56
0400	17.52	19.98	19.98
0430	17.46	17.72	17.72
0500	17.46	17.72	17.72
0530	17.49	17.71	17.71
0600	17.49	17.71	17.71
0630	17.49	18.54	18.54
0700	21.06	22.44	23.54
0730	20.62	22.53	23.63
0800	21.41	22.78	23.88
0830	22.17	28.74	30.03
0900	22.58	28.74	30.02
0930	24.85	28.74	30.02
1000	24.95	28.74	30.02
1030	22.28	25.40	26.56
1100	22.25	23.33	24.41
1130	22.26	23.33	24.41
1200	22.57	25.40	26.58
1230	22.56	25.40	26.58
1300	22.24	25.40	26.58
1330	22.22	23.33	24.42
1400	21.70	25.40	26.57
1430	21.70	25.40	26.57
1500	19.16	23.33	24.42
1530	19.20	23.34	24.42
1600	21.72	27.37	28.70
1630	23.54	31.05	33.09
1700	32.56	39.92	42.57
1730	33.81	40.11	42.71
1800	32.74	37.60	39.70
1830	27.63	28.29	28.57
1900	24.43	27.12	28.25
1930	23.16	26.76	27.88
2000	21.72	26.74	27.88
2030	21.42	22.69	23.62
2100	21.06	22.63	23.66
2130	21.06	22.59	23.64
2200	20.61	22.59	23.65
2230	18.72	22.59	23.66
2300	17.49	18.45	18.45
2330	17.48	17.70	17.70
2400	17.46	17.70	17.70

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.89/MWh becomes 1.689p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8-30am and 5.15pm Monday to Friday.

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INTERNATIONAL COMPANY NEWS

O&Y likely to delay creditors' vote

By Bernard Simon in Toronto

OLYMPIA & York, the troubled Canadian property group, is expected to delay the most crucial vote in its restructuring process while it tries to resolve differences with a key group of unsecured lenders.

The unsecured group, which consists mainly of North American, European and Japanese banks, will determine whether the ailing developer is able to emerge in a restructured form from the court bankruptcy protection which it sought last May.

Unlike O&Y's secured creditors, whose collateral consists of specific properties and shares in O&Y-controlled companies, the unsecured lenders' claims, which total about C$4bn, are against the company.

A total of 33 creditor groups are voting this week on a restructuring plan covering about C$8.5bn in debt.

By midday yesterday, 11 groups had approved the company's proposals, while another eight had adjourned their meetings to consider minor amendments. Five meetings were scheduled for yesterday.

The unsecured creditors are scheduled to vote on O&Y's proposals on Friday afternoon, but the meeting is likely to be delayed until some time next week.

A lawyer for one large unsecured lender said yesterday that one or two sticking points remained.

The lawyer said that an agreement would probably be hammered out eventually. "Everyone is in the same boat with the fundamental interest of making sure the company doesn't sink," he said.

Recoveries by unsecured lenders will depend largely on the course of the North American property market and O&Y's ability to rebuild its property management and development business.

One group of secured creditors, with claims on Fifth Avenue Place, a Calgary office building, was expected yesterday to reject O&Y's restructuring proposals.

They would be entitled to seize the building immediately, but were expected to consider appointing O&Y to manage the property.

Secured creditors who approve the reorganisation plan also have the right to take over their collateral, provided they give 30 days notice.

Earnings at Alcoa fall 30% to $196.3m

By Kenneth Gooding, Mining Correspondent

ALCOA, the world's biggest aluminium company, saw net income before charges fall by nearly 30 per cent last year to $196.3m, or $2.27m a share, from $279.7m, or $3.27m.

After charges, mainly associated with the new US accounting standards, there was a net loss of $1.14bn, or $13.41, for 1992, against net earnings of $62.7m, or 71 cents.

Alcoa last year reduced working capital and lowered costs which offset a significant proportion of revenue lost from low aluminium prices. However, the results were at the lower end of analysts expectations.

Mr Tom Van Leeuwen, analyst at Lehman Brothers, said: "This was a little disappointing, but not overwhelmingly disappointing." He said Alcoa "faces a very difficult earnings environment in 1993. The downside is limited but there is no upside at all".

Alcoa shipped 2.797m tonnes of aluminium last year, against 2.836m tonnes in 1991.

In the fourth quarter earnings before charges were $49m or 50 cents compared with $25.5m or 30 cents in the same quarter of 1991. There was a loss after charges of $80m or 94 cents compared with a loss of $191.4m or $2.26.

● ALCOA of Australia, the Australian aluminium and gold producer, blamed lower metal prices for a 32 per cent reduction in net profit to A$259m (US$178.6m) for the year to the end of December. Sales revenue fell 13.1 per cent to A$2.2bn, writes Kevin Brown in Sydney.

Alcoa, 48.25 per cent owned by Western Mining Corporation and 51 per cent by Alcoa of the US, said fourth-quarter profits fell to A$55.3m from A$77.8m, in spite of improved productivity and a lower Australian dollar exchange rate.

International Paper slips into the red after charge

By Martin Dickson in New York

INTERNATIONAL Paper, the US paper group which has been expanding fast in Europe, reported a fourth-quarter net loss of $176m, after taking a $263m after-tax charge for a productivity improvement programme.

The company said the results worked through at a loss of $1.46 a share and were struck on sales of $3.4bn. Without the charges, earnings totalled $87m, or 71 cents a share.

In the fourth quarter of 1991, the company earned $107m, or 96 cents a share, before special charges and $66m, or 59 cents a share, after charges.

Mr John Georges, chairman, said the company had achieved fourth-quarter sales comparable to the second and third quarters, in spite of difficult conditions in the US and European economies.

Pulp and paper sales rose to $995m, from $970m, while paperboard and packaging improved to $895m from $870m and distribution to $735m from $685m. Specialty products were up to $545m from $485m, while timber and wood products were unchanged at $350m.

For the full year, International Paper reported net earnings of $86m, or 71 cents a share, after special charges and $405m, or $3.34 before charges.

Sales totalled $13.6bn, up from $12.7bn in 1991. Net earnings in 1991 totalled $184m, or $1.66 after special charges and $452m, or $4.09 before charges.

Club Med drops 15% to $25.8m in US

By Alice Rawsthorn in Paris

CLUB Med Inc, the US subsidiary of Club Mediterranée, the French leisure group, saw net profits fall 15 per cent to $25.8m in the year to October 31 because of the sluggish US holiday market.

The poor performance of the US subsidiary was one of the main problems faced by Club Mediterranée last year.

Club Med Inc, which is 72 per cent owned by its French parent company, was hit by competitive market conditions and the price war among US airlines.

Turnover fell to $516.42m from $518.71m in its last financial year, while pre-tax profits fell by 13 per cent to $27.56m from $31.83m

The US company recovered in the final quarter when net profits rose by 64 per cent to $3.89m from $2.37m on stable turnover of $113.9m.

Club Mediterranée last month announced it had returned to the black in its last financial year, in spite of the problems of its US business.

The French group mustered net profits of FFr160m ($29.62m) in the year to October 31 against a FFr17m loss in the previous year.

Laidlaw gains 20% in first term

By Bernard Simon

LAIDLAW, the Ontario-based waste services and school bus operator, lifted first-quarter earnings by 20 per cent. Profits were helped by improvements in its hazardous waste business, lower interest costs, and a rising contribution from 28 per cent-owned ADT, the security and vehicle auction group.

Laidlaw said yesterday that relations between the Canadian company and ADT had improved. ADT has complied with the bulk of the demands made by Laidlaw following an acrimonious dispute between the two companies in 1991.

These include a listing on the New York Stock Exchange, quarterly reporting and greater representation on ADT's board. The Bermuda-based company is considering using US accounting principles in its financial reports.

Laidlaw's earnings rose to US$48.9m, or 18 cents a share, in the three months to November 30, from US$40.6m, or 16 cents a year earlier. Revenues dropped by 2 per cent to US$513m, mainly because of a decline in the Canadian dollar.

Equity earnings from ADT and 35 per cent-owned Attwoods, the UK-based waste management group, rose to US$11m from US$8.4m. Laidlaw did not specify the contribution of each company, but said the increase came primarily from ADT.

Operating income from hazardous waste rose to US$19.3m from US$15.3m, thanks to the first improvement in volumes and prices in several quarters. But income and margins in the solid waste and school bus operations continued to slide.

Laidlaw is restructuring its solid waste operations in the US and Canada. Two businesses have been sold in the past year and further disposals are expected.

PolyGram to expand in Japan

By Ronald van de Krol in Amsterdam

POLYGRAM, the London-based music and entertainment company 79 per cent owned by Philips of the Netherlands, has increased its stakes in two majority-owned Japanese record companies. The move is to help it expand in Japan, the world's second-biggest music market after the US.

PolyGram has acquired the remaining 35 per cent stake in Nippon Phonogram from JVC and Matsushita, taking its holding to 100 per cent.

It has also increased its stake in Polydor KK to 89.6 per cent from 74.6 per cent following a purchase of shares from JVC. The remaining shares are owned by corporate shareholders, each holding a relatively small stake.

The two transactions have a combined value of Fl 45m ($23m) and will take effect retroactively from October 1992.

The aim is to enable PolyGram to consolidate its Japanese businesses into one new operating company, PolyGram KK. The two music companies will retain separate creative and marketing activities, but finance and administration will be done by the new Japanese operating group.

Nippon Phonogram and Polydor are active in international pop and classical music, as well as in local Japanese music, an area in which PolyGram aims to expand.

In 1991, PolyGram generated Fl 1.1bn in sales in Japan and south-east Asia, representing 17 per cent of group net sales.

Delta strengthens Swissair link

By Nikki Tait in New York

DELTA Air Lines, one of the big three US carriers, and Swissair, the European airline, yesterday unveiled a new agreement on certain transatlantic routes.

The agreement could come into effect by June this year, subject to appropriate government approvals.

The ultimate goal, the two carriers said yesterday, was to provide "seamless, quality customer service".

Under the deal, Swissair will reserve a block of seats, in all three travel classes, using its flight designator on a new daily non-stop service operated by Delta between Cincinnati and Zurich.

Delta will operate the same system on Swissair flights operating between Atlanta and Zurich, New York (Kennedy airport) and Geneva, and New York (Kennedy) and Zurich.

The two airlines, which have held small cross-shareholdings in each other's equity since 1989, also plan to share terminal facilities at the airports in Atlanta, Cincinnati, Geneva, New York (Kennedy) and Zurich for arriving, departing and connecting passengers.

The move by Delta, which has been troubled recently by heavy losses and the difficult integration of assets acquired from the now-defunct Pan Am, and Swissair is the latest in a series of international airline alliances.

These include the operational integration between KLM and Northwest Airlines, and the proposed share stake investments by American Airlines in PWA, parent of Canadian Airlines, and Air Canada in the US's Continental Airlines.

Marriott encouraged by management arm

By Nikki Tait

MARRIOTT, the US hotel and food services group which faced bondholder anger over a plan to split its management operations and property assets into two separately-quoted entities, said yesterday the management side had fared well in 1992.

Marriott International, the name envisaged for the proposed management company, made pro-forma operating profits of $320m to $350m last year, with over 70 per cent coming from lodging, the company said.

Operating profit for Marriott overall was expected to stand at about $490m to $500m, compared with $478m in 1991.

The property company, due to be called Host Marriott, would take in 140 hotels and 16 retirement communities and would have had a total operating cash-flow of about $350m in 1992.

Sears, Roebuck sells division

By Nikki Tait

SEARS, Roebuck, the large retail and financial services group, is selling its business centres division to InaCom, a Nebraska-based company which markets computer systems and services, for an undisclosed sum.

Sears started the Sears Business Centers operation in 1981. The division sells advanced computing equipment and networking products aimed at business users through free-standing branch offices.

Bank agrees to sale of 100m Astra shares

By William Keeling in Jakarta

BANK Indonesia, the central bank, has approved the sale of 100m shares in Astra International, which dominates the country's motor vehicle sector.

The bank's go-ahead is a step forward in resolving the company's two-month ownership crisis.

The Soeryadjaya family, Astra's founders, have been selling down their stake following the collapse of their privately-owned Bank Summa with obligations of Rp1,600bn ($776m).

A Bank Indonesia executive, however, cast doubt that the sale of shares would lead to an early return of money for Bank Summa's large-scale depositors.

He also said it was "unlikely" that the consortium negotiating to buy the shares would set up a new bank into which the accounts of the depositors could be transferred.

The 100m shares are currently held by a consortium of three banks – Bank Danamon, a publicly-quoted bank, and Bank Exim and Bapindo, both state-owned banks – against loans of Rp500bn on which the Soeryadjayas are in default.

Brokers say the two state-owned banks may keep 20m shares, which would raise the Astra stake purchased by state institutions since mid-November to 27 per cent.

Mr Prajogo Pangestu, who has led negotiations with the Soeryadjayas for the sale of the shares, is expected to buy about 15m shares, with Mr Liem Sioe Liong, who runs the Salim group, taking about 10m shares, brokers say.

Other members of the consortium are reported to include Mr Henry Pribadi, Mr Ibrahim Risyad and Mr Sudwikatmono, all Salim group executives.

Indomobil, Astra's main competitor, is a Salim group subsidiary, and brokers warn that the presence of so many Salim group executives in the consortium could undermine Astra's independence.

Exercise in reassurance at Nippon Credit Bank

Officials dismiss talk of restructuring despite problems with property loans, writes Robert Thomson

EXECUTIVES at Nippon Credit Bank have tired of reassuring clients and financial partners who have been made wary by a flurry of Japanese media coverage suggesting that the long-term credit bank is buckling under the weight of bad property loans.

Further reassurance was needed following the announcement this week that a former Finance Ministry official, Mr Hiroshi Kubota, will become NCB's president later this year. Not surprisingly, the appointment was widely interpreted as a sign that Mr Kubota will preside over a restructuring of the bank, which has by far the largest ratio of property loans to total loans of Japan's leading banks.

But a senior NCB manager said the choice of Mr Kubota was simply a conventional case of *amakudari* (literally, descending from heaven), the term given to the transfer of senior bureaucrats to corporate posts at the end of their government careers. NCB insisted he would not preside over a restructuring "because we don't need a restructuring".

The bank says its loan portfolio has attracted attention, and inspired concern, simply because the institution has taken action to deal with non-performing property-related loans at three affiliated finance companies, while other leading banks have yet to confront their mounting bad loans.

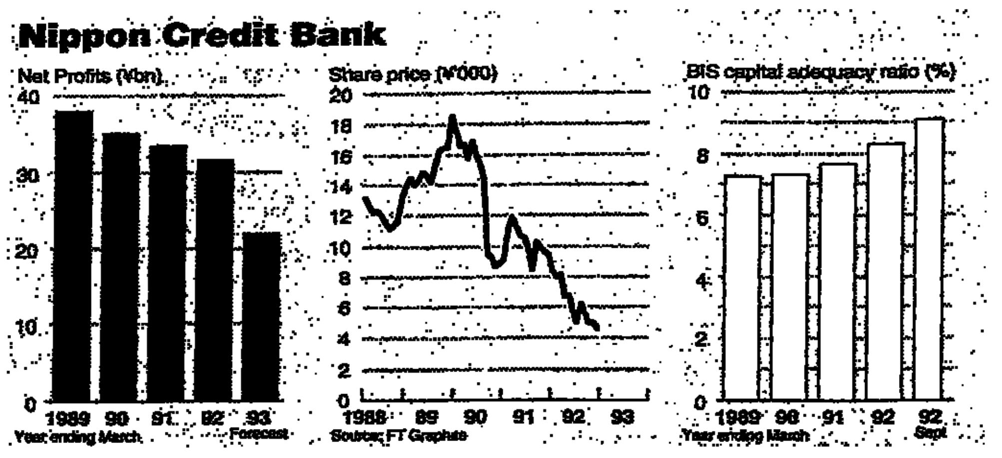
The three leasing and credit companies were large property-related lenders, either accepting property as collateral or providing funds to developers, leaving the institutions with non-performing loans estimated at 20 per cent of outstanding loans. In response, NCB persuaded other banks to take cuts in interest rates on loans to the trio, and made clear that it would ensure their survival.

"We have resolved our problems. Our capital adequacy ratio is over 9 per cent, and we have a three-year restructuring plan for the three companies. In Japan, we have a very co-operative way of solving our problems," a senior NCB manager explains.

NCB was formally established in 1957 with the aim of providing long-term capital to industry, though it traces its ancestry to the Bank of Chosen, which was the central bank of Japanese-occupied Korea from 1909 to 1945 and was responsible for issuing bank notes in Manchuria, in northern China.

From 1957 to 1977, it was known as the Nippon Fudosan Bank, or the "Japan property bank", with property-related loans still accounting for 23 per cent of lending at the end of the last fiscal year. This is twice as high as most leading Japanese banks, with Bank of Yokohama next in line at 14.3 per cent.

Like other Japanese banks,



NCB is profiting from falling interest rates, which are creating favourable margins. This resulted in a 108.7 per cent rise in operating profits to Y57.4bn ($458m) in the six months to the end of September. However, the costs of Japan's financial and property market collapse were more evident below the operating profit line.

Pre-tax profits were down 48 per cent to Y22.5bn, with Y23.8bn of the difference due to losses on securities holdings, while there was Y11.1bn addition to loan loss reserves. Salomon Brothers Asia calculates that these reserves are only 0.9 per cent of total loans, which, taking into account Japanese taxation regulations, is equal to a 1.8 per cent cover on an after-tax basis.

Japanese banks say it is a mistake to focus only on those reserves as they also have a large pile of unrealised gains on securities holdings which could be used in emergency. In NCB's case, the continuing weakness of Tokyo stock prices left that pile 52 per cent smaller at Y439bn over the year to the end of September.

Tapping all the unrealised gains would mean selling strategic holdings in leading corporate clients, and the threat of rupturing these relationships puts a limit on stock sales. Large sales would also undermine the bank's capital adequacy ratio, as defined by the Bank for International Settlements.

NCB's impressive capital adequacy ratio – 9.08 per cent at end-September, well above the 8 per cent BIS threshold and higher than most other Japanese banks – has raised questions about the effectiveness of that measure. One bank with a better BIS ratio, at 9.15 per cent, is Nippon Trust Bank, which reported a 47.3 per cent fall in net profit to Y1.1bn, without booking hefty appraisal losses on securities holdings.

Japan's Finance Ministry has given banks enough flexibility in asset valuation regulations to enable them to write off non-performing loans gradually, and still report profits. Mr David Marshall, senior analyst at IBCA, the rating agency, says auditors and regulators in the US and Europe would force institutions to recognise potential losses more quickly.

"In Japan, the point in preparing accounts is not necessarily to recognise losses. Most important of all from the regulators' perspective is to maintain confidence in the financial system," Mr Marshall says.

A more accurate measure of the troubled loan exposure of NCB and other Japanese banks may come at the end of the fiscal year in March, as the Finance Ministry says individual institutions will announce figures for non-performing loans. All that has been officially released is a lump figure of Y12,300bn for the largest 21 banks at end September, a 54 per cent rise over the first half.

NCB says changes have already been made to its management style of the late 1980s, when banks, and their affiliates, competed feverishly for new customers as stock and property prices rose sharply. Another manager at the bank explains that risk analysis has been reviewed, though Japanese companies generally may need to alter views on who is ultimately responsible for loans.

"It is true that we have become more cautious, perhaps over-cautious, in lending. Japanese have always looked at who is the ultimate backer of a loan, rather than at the hard collateral, so people thought we were backing these three companies, even though our links to them were not so great," he says. "People should look at more than a company's name in doing business."

European research centre for Rank Xerox

By William Dawkins in Paris

RANK XEROX, the office equipment group, is to set up a European research centre in the French Alpine town of Grenoble.

The centre will open in April with an annual budget of Ecu15m ($18.45m), to carry out research into electronic handling of documents in different languages, including computer-assisted translation. It will have control over Rank Xerox's research centres in Cambridge and employ 50 people, rising to 150 by 1996.

This is the latest in a string of international research bodies to set up in Grenoble, France's biggest research centre outside Paris. Mr Dominique Strauss-Kahn, industry minister, said Grenoble was beginning to benefit from a "snowball effect" of investment in high technology and his government was eager to attract research projects.

Grenoble groups 250 private and public sector laboratories and five European research facilities, a big factor in Rank Xerox's choice of the site against alternatives in Italy, Spain, Germany and elsewhere in France, said Mr Bernard Fournier, managing director of Rank Xerox.

Various forms of French public aid cover 10 per cent of the first two years' costs, about the same as was on offer from rival sites.

The aim is to develop products that will reduce the 8 per cent of spending which the average company spends on compiling and handling documents, said Mr Fournier.

● Eastman Kodak, Sony and Hitachi have agreed on a standard for a video print pack for thermal dye transfer printers to be used in the home, Reuter reports.

The printers can produce colour prints from video and digital sources, such as video cameras and electronic still cameras. The companies said current thermal dye transfer printers are used mainly for business and commerce, and print paper and cartridges differ with each manufacturer.

Clark seeks $100m acquisition

By Andrew Baxter

CLARK Equipment, the US capitals goods manufacturer, is looking for an acquisition of around $100m that could take it into a new business sector.

Last summer, Clark sold its lift truck business to Terex, the US industrial and construction machinery group, for $90m. The sale prompted considerable interest among investors about Clark's future plans.

Mr Frank Sims, Clark's senior vice-president, said in London yesterday that Clark was looking at companies worth around $100m in businesses which would fit with Clark's current range. "It would be a mid-sized company to which we could add value," he said.

There were a surprising number of opportunities among private companies, or divisions of big corporations, he said. The acquisition was more likely to be in the US, to balance costs such as retiree health expenses.

Clark has all but completed a big programme of investment in its manufacturing base, but Mr Sims stressed that it intended to be patient in its search for a takeover. It could, alternatively, do "bolt-on" acquisitions for its present businesses.

Clark's 1992 results will be out next week. In the first nine months it posted net profits from continuing operations of $8.1m. Its main problem is the unconsolidated VME, which has been hit by the construction equipment recession worldwide and is undergoing a restructuring. Clark's share in VME's nine-month loss was $40.7m.

Mr Sims said he was cautiously optimistic for 1993, with business conditions improving in the US.

Siam Cement takes 10% of Thai Plastic

SIAM Cement, the Thai conglomerate and largest cement producer in the country, has acquired a 10 per cent stake in Thai Plastic & Chemical, Reuter reports from Bangkok.

Siam Cement has bought 4m shares of Thai Plastic worth Bt150 each, totalling Bt600m ($23.5m), the Stock Exchange of Thailand announced.

The purchase was a long-term investment, Siam Cement said. Its shares gained Bt8 to Bt526, while Thai Plastic rose Bt13 to Bt150.

Malaysian investment for Goodman Fielder unit

COLD Storage (CSH), a Singapore-listed subsidiary of Australian food group Goodman Fielder, is to buy a 70 per cent stake in Standard Confectionery, a Malaysian fresh and frozen cakemaker, for about M$15m (US$5.8m), Reuter reports from Singapore.

The investment was "part of Goodman Fielder's strategy to transform Cold Storage into a major regional consumer-food manufacturing and distributing company," CSH said. It saw good growth potential in fresh and frozen cakes in Malaysian and export markets. "[We] expect this acquisition to earn CSH a return well in excess of 10 per cent," it added.

Goodman Fielder said recently that it planned to announce a string of investments in Asia worth more than A$100m (US$67.4m) in the next few months.

The acquisition, which is subject to regulatory approval, is due to be completed before the end of March. CSH said the purchase was not expected to have a significant impact on its results for the financial year ending June 30.

INTERNATIONAL CAPITAL MARKETS

Investors shun Taiwan airline's flotation

THE stock market flotation of China Airlines (CAL), Taiwan's flag-carrier, has flopped, underlining the depth of the local stock market's year-old slump, Reuter reports from Taipei.

CAL's first public offer of 41m shares last month was initially oversubscribed, but investors had committed funds to buy only 11 per cent of the shares by the payment deadline on January 9, CAL said.

The airline will now seek to sell the roughly 36.5m shares not taken up by other means, such as private placements.

The offer, at a price of T$68 (US$2.67) a share, aimed to raise about US$110m. It would have cut the stake in CAL held by the China Aviation Development Foundation, a private body, to about 80 per cent from 85 per cent.

"We feel disappointed with the result. But it will not affect our goal of listing on the stock market," CAL said, adding it planned to list in late February.

Analysts said the CAL offer was a bad omen for future big equity offerings in Taiwan, including privatisation issues by the government.

Warburg unit to deal in China

By Kevin Brown in Sydney

POTTER Warburg Securities, the Australian stockbroking firm, has been awarded a licence to deal on the Shenzhen stock exchange, the larger of China's two fledgling stock markets.

Potter Warburg, a subsidiary of S. G. Warburg of the UK, is the first Australian broker to be awarded a licence since foreign firms were invited to apply in September by the People's Bank of China.

The licence will allow the firm to underwrite and distribute Chinese issues to foreign investors. Foreign brokers licensed to operate at Shenzhen include Credit Lyonnais, Yamaichi International and Swiss Bank Finance Asia.

Middle East tension adds to struggles in US Treasury market

By Patrick Harverson in New York and Sara Webb in London

US TREASURY prices were mixed to firmer yesterday morning as the market, still struggling with the weight of new corporate supply, anticipated a flight to government securities as tension in the Middle East mounted.

GOVERNMENT BONDS

By midday, the benchmark 30-year government bond was up ⅜ at 101⅞, yielding 7.466 per cent. At the short end of the market, the two-year note was also slightly firmer, up 1/32 at 100⅝, to yield 4.439 per cent.

In early trading, Treasuries were weaker, especially in the middle of the yield curve, as dealers marked prices down ahead of the afternoon auction of $9.75bn of seven-year notes. Continued worries about the impact on the market of the steady flow of corporate bond issues also contributed to the declines. Some investors, however, were comforted by the fact that the market absorbed $6.5bn of corporate debt on Tuesday without inflicting serious damage on prices.

The market rebounded later as the military launched an attack on Iraqi forces. The buying was on the assumption that in times of international political crisis, domestic and overseas investors look to US assets, and short-dated US government securities in particular, as a temporary safe haven.

■ UK government bonds closed higher as investors bought at the higher yield levels.

The Liffe futures contract rose from 99.13 to 99.26 by late afternoon on volume of about 24,000 contracts. In the cash market, the 11¾ per cent gilt due 2003/07 rose from 118⅝ to 118¾ to yield 8.85 per cent.

Dealers said domestic investors were tempted to buy as yields had risen to relatively attractive levels after Tuesday's fall in the gilt market. The gilt market fell back on Tuesday on news that the Bank of England will hold a gilt auction on January 27.

■ NEW supply and heavy selling combined to depress German government bond prices across the yield curve yesterday.

The Liffe bund future contract, which opened at 92.88, traded in a range of 92.76 to 92.91 before ending the day at around 92.80.

News that the postal authority sold DM2.87bn of notes at tender depressed prices. The auction of six-year notes raised DM2.87bn at an average price of 98.84 and an average yield of 6.99 per cent.

Dealers added that several German banks were thought to have sold five-year notes yesterday, after buying the paper earlier in the week at the time of the launch of Italy's DM bond issue.

Bunds showed little reaction to GNP data which showed a slowdown in the economy last year. The statistics office said that west German GNP rose 0.8 per cent in 1992 after a rise of 3.6 per cent in 1991.

Mr Helmut Schlesinger, president of the Bundesbank, said in a speech that the main priority for monetary policy remained to limit inflation, but he added, "that does not rule out all leeway for the Bundesbank's monetary policy".

Dealers said the Bundesbank took the market by surprise by adding a net DM6.6bn in liquidity into the domestic banking system through a tender of securities repurchase funds, when a slight drain of funds had been expected.

■ FRENCH government bonds edged higher across the yield curve, helped by the franc's relative firmness in the foreign exchange markets.

The yield on the 8½ per cent bond due 2003 moved from 8.04 per cent to 8.02 per cent by late afternoon as the franc strengthened from 3.3965 to the D-Mark to 3.3890.

■ JAPANESE government bonds soared to new highs, but the gains were wiped out by reports that President Bush planned to launch an attack on Iraq and both the cash and futures markets ended the day slightly lower as a result.

Dealers said the market opened on a strong note, following on from Tuesday's rally and encouraged by the weak stock market and strong buying interest from institutional investors.

The March futures contact, which opened at 108.80, rallied to a high of 109.08, the highest level for the leading contract in nearly five years. However, after profit-taking the futures contract fell back to end at 108.73. In the cash market, the yield on the benchmark No 145 issue opened at 4.44 per cent and moved to 4.41 per cent, before ending at 4.45 per cent.

FT FIXED INTEREST INDICES

	Jan 13	Jan 12	Jan 11	Jan 8	Jan 7	Year ago	High *	Low *
Govt Secs (UK)	93.43	93.31	93.36	93.83	93.96	87.48	95.54	85.11
Fixed Interest	108.91	108.84	108.98	109.38	109.59	99.56	110.26	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928
* for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed interest high since compilation: 110.26 (12/11/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Jan 12	Jan 11	Jan 8	Jan 7	Jan 6
Gilt Edged Bargains	90.5	103.1	95.2	100.0	107.6
5-Day average	99.3	102.2	99.2	89.4	82.0

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	108.3768	-0.001	9.00	8.97	8.84
BELGIUM		8.750	08/02	107.8000	-0.200	7.56	7.84	8.00
CANADA *		8.500	04/02	101.8000	-0.450	8.21	7.95	8.06
DENMARK		9.000	11/00	100.4000	+0.030	8.92	9.02	8.86
FRANCE	BTAN	8.500	03/97	101.9922	-0.001	7.90	8.02	8.22
	OAT	8.500	11/02	103.3800	+0.005	7.99	8.05	8.23
GERMANY		8.000	07/02	105.7400	-0.040	7.14	7.15	7.41
ITALY		12.000	05/02	93.5150	-0.360	13.681	13.85	13.60
JAPAN	No 119	4.800	06/99	101.8019	-0.461	4.44	4.43	4.55
	No 145	5.500	03/02	106.9848	+0.033	4.43	4.50	4.64
NETHERLANDS		8.250	08/02	106.9100	-0.380	7.21	7.12	7.48
SPAIN		10.300	06/02	89.0000	+0.075	12.30	12.66	12.43
UK GILTS		10.000	11/96	109-06	+4/32	7.19	7.23	7.32
		9.750	08/02	108-18	+5/32	8.42	8.29	8.37
		9.000	10/08	101-21	+6/32	8.79	8.65	8.65
US TREASURY *		6.375	08/02	97-30	-4/32	6.67	6.60	6.81
		7.625	11/22	101-22	-12/32	7.48	7.35	7.44
ECU (French Govt)		8.500	03/02	100.7250	-0.150	8.38	8.54	8.81

London closing *New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Republic of Austria uses reverse FRNs in DM500m issue

By Brian Bollen

THE Republic of Austria joined the growing list of sovereign borrowers tapping the D-Mark Eurobond market yesterday. It chose, however, to use the reverse floating rate note structure rather than the straight Eurobonds favoured by larger-scale borrowers. Reverse floaters appeal to investors who believe D-Mark interest rates will come down soon.

INTERNATIONAL BONDS

Austria increased its 10-year issue twice, finally settling for DM500m after launching it through Trinkaus und Burkhardt at DM300m. Bankers reported good demand although the pricing is less generous than seen on other recent issues of this type. The coupon is 8¼ per cent for the first two years, then 13⅛ per cent minus six-month Libor thereafter.

Mr Helmut Eder of the Austrian Federal Financing Agency, the agency established at the start of this year to act on behalf of the republic in these matters, said the republic would borrow the equivalent of about $3bn abroad in 1993.

Austria intended to continue holding its foreign debt obligations in Swiss francs, D-Marks, yen and Dutch guilders, he said, but it would issue in those currencies which offer the best arbitrage opportunities.

DG Bank also led a DM75m 10-year subordinated reverse floater for Westfalische Hypothekebank, targeted at retail investors. It offers a coupon of 10¼ per cent for the first year, and will then pay 20 per cent minus twice six-month Libor.

Province de Quebec became the third Canadian province to tap the international markets this week, following Ontario and British Columbia, which both raised US dollars. Additionally, the Province of Alberta, which has been widely expected for several weeks to tap the international markets, raised C$750m domestically.

Lead-manager Wood Gundy said Quebec's C$500m seven-year 8½ per cent Eurobonds would provide a new benchmark in the seven-year area, given the absence of other current coupon liquid issues. The bonds were still in syndicate at the close of business, reflecting the slackening of international demand for the currency after the spate of issues seen so far this year.

Other bankers said the bonds were slightly expensive and added to unsold positions. There have now been some C$2.1bn of bonds issued internationally already this year.

Crédit Commercial de France said the European Investment Bank's FFr3bn eight-year 8 per cent issue confirmed the firmer tone of the French franc market. The issue maintained its spread of 24 basis over comparable French government bonds in early trading after breaking syndicate, said CCF, and was widely described as a successful deal.

Other banks agree that investor interest has revived in the French franc after its recovery against the D-Mark. Economic fundamentals in France are good, they say, and there is widespread expectation that D-Mark rates are set to fall. The EIB is as usual using a deferred rate setting system, which allows it to lock the spread at which it can lend the funds to future borrowers.

The Council of Europe's $150m two-year 4⅝ per cent issue through S. G. Warburg should benefit from pent-up demand at the shorter end of the curve, said bankers. European investors who are happy with dollar exposure but who think yields will go higher can buy such short-term bonds as an alternative to placing their funds on deposit in the money markets, they say.

Cariplo's $200m five-year issue of floating rate depositary receipts through Lehman Brothers could prove the true litmus test of Italy's renewed international acceptability after the problems of recent months, rather than the republic's successful DM5bn deal, say bankers. The paper qualifies as senior debt.

Crédit Foncier de France's DM1.5bn 10-year straight bonds, launched on Tuesday, were priced to give the expected launch spread of 20 basis points over government bonds.

● NORWAY plans to hold six bond auctions in 1993, Reuter reports. The Norwegian central bank did not disclose the size of the offerings nor maturity dates of the bonds to be issued, but said it may hold ad hoc auctions to supplement the regular auctions.

The first bond auction in 1993 will be held on January 25, with an announcement planned for Friday. The other bond auctions will be held on March 22 (announcement March 12), May 24 (May 14), July 26 (July 16), September 20 (September 10) and November 22 (November 12). Settlement dates are four days after the auction.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Cariplo, London Branch(a)‡	200	(a)	100	Feb.1998	20/15bp	Lehman Brothers Int.
Council of Europe	150	4.625	100.875	Feb.1995	1⅛/0.975%	SG Warburg Securities
Hogy Medical Co.(b,c)§	50	2.75	100	Sep.1997	2½/1½%	Yamaichi Int.(Europe)
YEN						
Hazama Corp.	10bn	5.5	101.625	May.1999	1⅞/1.675%	Daiwa Europe
D-MARKS						
Crédit Foncier de France	1.5bn	7.25	102.275	Feb.2003	3/2.175%	Deutsche Bank
Republic of Austria(d)‡	500	(d)	100	Feb.2003	30bp	Trinkaus und Burkhardt
Westfalische Hypothekenbank(e)‡	75	(e)	101.25	Feb.2003	1.55/1¼%	DG Bank
Yamada Denki Co.★	10	7.25	101.375	Jan.1998	1⅝/1⅛%	IBJ(Deutschland)
FRENCH FRANCS						
European Investment Bank	3bn	8	99.8	Feb.2001	30/15bp	CCF
CANADIAN DOLLARS						
Province de Quebec	500	8.5	99.675	Feb.2000	1⅞/1.575%	Wood Gundy
SWISS FRANCS						
Philip Morris Co.	250	5.375	102	Feb.2000	-	UBS
Korea Electric Power Corp.	100	6	102.25	Jan.1998	-	Swiss Bank Corp.

Final terms and non-callable unless stated. ★Private placement. §Convertible. ‡Floating rate note. a) Coupon pays 37½bp over 3-month Libor. b) Coupon payable semi-annually. c) Conversion price: Y7319, a 2½% premium. Exchange rate: 126.45Y/$. Callable from 1/4/93 at 103% declining by 1% per annum to par. d) Coupon pays 8¼% fixed annual in first 2 years and 13⅛% - 6-month Libor thereafter. e) Coupon pays 10¼% fixed annual in first year and 20% - 2 x 6-month Libor thereafter.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on January 13

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	106	106¼		4.97
ALBERTA PROVINCE 9 3/8 95	600	109¼	109⅞	-⅛	5.63
AUSTRIA 8 1/2 00	400	108½	108⅞		6.93
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ARBED 7 1/2 95 LFr	600	97½	98½		8.62
ECSC 7 3/4 94 LFr	1000	99½	100½		8.07
WORLD BANK 8 96 LFr	1000	100¾	102½		7.71
[illegible]					

DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS: [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	44	16	20
Other Fixed Interest	3	7	5
Commercial, Industrial	264	329	831
Financial & Property	105	192	499
Oil & Gas	15	26	44
Plantations	0	0	9
Mines	19	30	92
Others	59	27	34
Totals	509	627	1,534

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
§220	F.P.	-	277	243	Critchley Group	277	+13	L6.2	2.2	2.9	19.6
-	F.P.	-	105	103	For. & Col. PEP Inv Tst	105		F3.38	-	4.3	-
100	F.P.	-	107	101	Hoare Govett Smlr Co's	106		-	-	-	-
90	F.P.	-	111	101	Hunters Armley	111		W3.38	2.2	4.1	14.8
52	F.P.	-	68	52	Intl. Food Machinery	61	-2	-	-	-	-
-	F.P.	-	40	38	Jos Hldgs Cap	38		-	-	-	-
-	F.P.	-	94	92	Do. Inc.	94		F11.5	-	16.3	-
-	F.P.	-	111½	110	Do. Zero Div. Pf	111½	+½	-	-	-	-
165	F.P.	-	195	181	National Express	191	-2	W7.12	1.5	5.0	12.6
50	F.P.	-	57	52	OIS Intl.	55		N1.9	2.8	4.6	10.2
-	F.P.	-	1½	1½	‡Prime People Warrants	1½		-	-	-	-
-	F.P.	-	97	88	Second Consolidated	88		-	-	-	-
65	F.P.	-	194	166	Tadpole Technology	176	-1	-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	116½p	115½p	Bristol Water 8¾pc Pf.	115½p	-¼
100p	F.P.	-	108½p	105¼p	Commercial Union 8¾pc Cm. Pf.	105¾p	-½
100	F.P.	-	114¼	112¼	NFC 7¾pc Cv. Bd. 2007	114¼	+¼
150p	P.P.	-	113p	104p	Wassall Non-Int Brg. Cv. ULS	105p	+1
-	F.P.	-	180½p	178p	Yeoman Inv. Zero Prf	180½p	+½

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
35	Nil	18/1	3pm	3pm	‡Hitclare	3pm	
85	Nil	5/2	1pm	¼pm	Lonrho	¼pm	
5	Nil	11/2	1½pm	½pm	Melville	½pm	
25	P.P.	1/3	16	14	Property Trust	14	-1
2	Nil	11/2	2¼pm	¼pm	‡Regal Hotel	1¼pm	
50	Nil	15/2	17pm	12½pm	Trio Holdings	12½pm	-1½
3	Nil	24/2	¼pm	¼pm	West Trust	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ‡ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings: Jan. 11
- Last Dealings: Jan. 29
- Last Declarations: April 15
- For settlement: April 26

3-month call rate indications are shown in Saturday editions. Calls in Allied Leisure, ASDA, MFI Furniture and Sims Food. Doubles in ASDA and Hanson warrants.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Alld Lyons (*605)	600	19	40	52	10	23	36
	650	2	17	28	47	53	68
[illegible]							

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
BAA (*742)	700	59	77	88	6	15	25
	750	25	45	55	24	34	46
[illegible]							
Trafalgar (*87)	80	8	14	17	2	5½	8½
	90	2½	8	12	6	9½	13
Utd. Biscuits (*368)	360	14	24	31	5	18	23
	390	3	10	17	24	37	41
Unilever (*1053)	1050	21	47	66	13	38	50
	1100	4	24	43	50	69	80
Brit Aero (*169)	160	27	33	40	12	23	28
	180	17	25	33	22	37	42
[illegible]							
Blue Circle (*193)	180	27	33	42	10	20	25
	200	15	22	31	20	31	35
British Gas (*276)	260	25	27	31	5	10	12
	280	12½	15	21	11	19½	23
Dixons (*224)	220	22	27	30	15	20	24
	240	11	20	22	24	29	35
Eurotunnel (*355)	330	48	62	72	15	25	30
	360	28	43	55	30	39	45

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Glaxo (*722)	700	53	79	97	28	43	52
	750	30	54	72	58	68	77
[illegible]							

EURO FT-SE INDEX; FT-SE INDEX: [illegible]

PUTS								
Jan	2	4	22	64	115	165	215	365
Feb	27	44	66	94	130	172	219	268
Mar	46	61	83	110	142	179	221	268
Apr	52	75	-	115	-	-	-	-
Jun †	-	92	-	140	-	204	-	282

January 13 Total Contracts 32,417
Calls 17,327 Puts 15,090
FT-SE Index Calls 4,627 Puts 4,095
Euro FT-SE Calls 1,974 Puts 1,991
*Underlying security price. † Long dated expiry mths
Premiums shown are based on closing offer prices

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Wed Jan 13	Day's change %	Tue Jan 12	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	127.88	+0.10	127.76	2.15	0.11
2	5-15 years (23)	145.27	+0.15	145.05	2.71	0.00
3	Over 15 years (8)	150.68	+0.14	150.46	2.26	0.00
4	Irredeemables (6)	169.82	-0.05	169.92	1.75	0.00
5	All stocks (61)	141.59	+0.13	141.40	2.48	0.04
	Index-Linked					
6	Up to 5 years (2)	183.03	-0.07	183.15	1.10	0.00
7	Over 5 years (11)	164.60	-0.37	165.20	0.64	0.31
8	All stocks (13)	165.88	-0.33	166.43	0.69	0.27
9	Debs & Loans (62)	123.59	-0.21	123.85	2.88	0.12

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jan 13	Tue Jan 12	Year ago (approx.)
	British Government				
1	Low	5 years	7.06	7.11	8.85
2	Coupons	15 years	8.34	8.37	9.25
3	(0%-7¾%)	20 years	8.62	8.63	9.25
4	Medium	5 years	7.52	7.55	9.66
5	Coupons	15 years	8.79	8.81	9.34
6	(8%-10¾%)	20 years	8.99	9.00	9.28
7	High	5 years	7.74	7.78	9.89
8	Coupons	15 years	9.08	9.09	9.42
9	(11%-)	20 years	9.16	9.17	9.34
10	Irredeemables (Flat Yield)		8.96	8.95	9.48
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.78	2.75	3.99
12	Inflation rate 5%	Over 5 yrs.	3.89	3.86	4.32
13	Inflation rate 10%	Up to 5 yrs.	2.00	1.97	3.39
14	Inflation rate 10%	Over 5 yrs.	3.71	3.68	4.15
15	Debs &	5 years	8.91	8.90	11.05
16	Loans	15 years	9.92	9.88	10.86
17		25 years	10.07	10.05	10.71

Shares fall 29p despite good Christmas and new year trading

US side cuts Dixons to £14m

By Maggie Urry

LOSSES IN its US chain hit half-time profits of Dixons, the electrical goods retailer. At the pre-tax level they dropped from £17.5m to £14.2m in the 28 weeks to November 14.

Despite reported good Christmas and new year trading in the UK branches, the shares fell 29p to 225p.

Mr Stanley Kalms, Dixons' chairman, said he was fairly confident UK sales would continue the improvement seen in the first half and over Christmas, though recovery was fragile. In the US there was more evidence that the recession was turning.

Earnings were down from 1.6p to 1p but the interim dividend is unchanged at 1.6p.

Operating losses in the US rose to £14.9m (£10.9m), while UK profits of £20.7m compared to £20.5m, which included a £5m release of excess provisions.

Mr John Clare, group managing director, said despite the higher losses, good progress had been made in rebuilding Silo, the US chain acquired for $320m in 1987. But it had now been decided to close 45 stores in the mid-West, involving 550 jobs, at a cost of $40m. A provision would be made in the second half. Further ahead, "substantial new investment" would be needed in Silo.

Asked if the acquisition of Silo had been a mistake, Mr Kalms said: "You can form your own conclusions". Losses from Silo in the last two years have exceeded earlier profits.

Mr Clare said that "profit recovery will take some years" but stressed that the management's view was that turning Silo round was a better option than pulling out.

Mr Kalms said that sales in the Dixons and Currys chains in the UK moved ahead strongly from mid-July. Christmas and new year sales rose 17 per cent, and were ahead of budget, although margins were slightly lower because of higher promotional costs.

Ashley Ashwood

Stanley Kalms: confident UK sales would continue to improve

The European property activities lost £400,000 before interest (£2.9m profit). Mr Shrager, finance director, said that no sales had been completed in the first half but seven had been so far in the second half.

Group turnover totalled £873.4m (£871.7m). Interest receivable was £8.8m (£3.9m) as capitalised interest rose from £2.5m to £6.2m, and £2.3m was charged to provisions.

After tax and dividend payments there was a retained loss of £2.5m (£100,000 profit).

Mr Shrager said the half year statement complied with new accounting standards and the recommendations of the Cadbury Committee, including a full balance sheet and a report from the auditors.

See Lex

Body Shop shares hit as UK sales fall

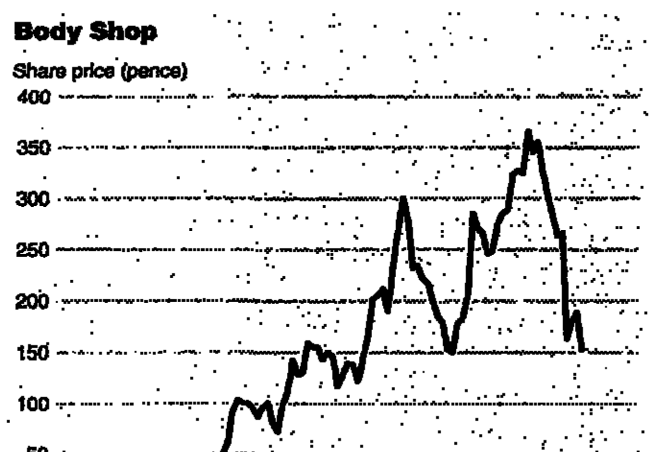
By Paul Taylor

BODY SHOP International saw its share price drop by almost 9 per cent yesterday after it reported disappointing pre-Christmas sales figures for its UK stores.

In the wake of the announcement, which follows similarly disappointing figures from a number of other high street retailers, analysts trimmed their profit forecasts and the shares dropped 15p to 153p.

The group said UK sales fell by 8 per cent in the nine weeks to December 26 on a like-for-like basis – excluding the effects of shop openings and closures while total UK sales were down 2 per cent.

However, US and international sales grew strongly reflecting the group's expanding overseas business and investment. Sales in the US rose by 4 per cent on a like-for-like basis and by 46 per cent in total, while international sales grew by 2 per cent like-for-like and by 20 per cent in total.



Source: Datastream

Commenting upon the figures, Mr Gordon Roddick, chairman, said: "Christmas was, in line with many other retailers, particularly late this year. There was a marked contrast between disappointing sales in November and early December, and the final few weeks of December."

Mr Roddick said that in the UK, like-for-like sales increased by 4 per cent over the three-week period to January 2. He noted that overseas retail sales remained strong, but said "it is too early to pick out a discernible trend in the UK for the last two months of the year."

However, analysts viewed the UK figures in particular as "disappointing," and reduced their profit forecasts for the current year to between £20m and £22m, down from about £25m.

Some analysts have speculated that the decline in UK sales reflected the impact of increased competition from more traditional retailers. Boots in particular, has had success with its own-label range of Natural Collection products and supermarket groups, such as J Sainsbury, Tesco and Safeway, have also earmarked the personal care sector for growth.

Mr Roddick firmly rejected these suggestions yesterday. He said Body Shop's independent research shows that UK customers are not going elsewhere, instead he believes the downturn reflect the general economic recession, which some analysts point out has hit the young particularly hard.

Alexon expects to break-even and pass dividend

By Paul Taylor

ALEXON Group, the women's wear retailer, confirmed yesterday that because of poor trading it only expected to break-even in the current financial year and to pass its final dividend.

Alexon's shares, already battered by a profits warning six weeks' ago, fell a further 9p to close at 68p, marking a new low since its demerger in July 1991 from Claremont Garments (Holdings), the Marks and Spencer supplier.

At its peak the stock touched 444p, but has dropped steadily because of concern about the effects of the recession and management mistakes on stock.

The group said yesterday, in a statement that had been expected, that trading up to Christmas had been "disappointing." In particular, sales of its Dash brand leisure wear were "well below the levels of last year."

The directors warned that "on the basis of current overall trading," pre-tax profit before exceptional items for the financial year ending this month "will be around the break-even level." This compares to pre-tax profits of £11.3m in 1991-92 when a final dividend of 7.6p was paid.

In the first half of this year Alexon posted a 46 per cent fall in pre-tax profits to £2.08m on reduced turnover of £48.7m.

Yesterday the company said total exceptional costs for the year, including reorganisation costs, were likely to be about £1m.

Steps have been taken to cut costs and streamline the organisational structure, including a 20 per cent reduction in head office personnel. These steps should result in ongoing savings of at least £1m a year.

Analysts had awaited the Alexon statement with concern that further stock writedowns might be necessary. However the group emphasised yesterday that despite the poor sales performance in the second half, stock levels of autumn/winter ranges were similar to last year and no material writedown of this stock was expected.

As highlighted at the interim stage, the sales shortfall in in the first half resulted in higher than normal spring stock levels, which will contribute to somewhat higher year-end levels.

There has also been criticism that Alexon has been slow to change its classic women's wear formula. However the company said yesterday that its relaunched Eastex range for older women had performed well, with sales ahead of last year, and that post Christmas sales of all brands had been "slightly more encouraging."

It added that over the past 12 months extensive trials and market research had been undertaken in preparation for the relaunch of the Dash Brand this year.

In the wake of yesterday's statement analysts expressed the hope that all the bad news was out of the way. However, some concerns remain about trading, the balance sheet and the quality of management.

Owners Abroad bid referral urged to avert travel duopoly

By Richard Gourlay

AIRTOURS' hostile £215m bid for rival holiday company, Owners Abroad, has met the first signs of formal opposition from consumer groups and smaller tour operators.

The Consumers' Association is today writing to the Office of Fair Trading requesting referral of the bid to the Monopolies and Mergers Commission.

At the same time, Mr Noel Josephides, chairman of the Association of Independent Tour Operators, has warned that "the future of the travel industry under a duopoly will be grim."

He is particularly concerned about the future of Air 2000, Owners Abroad's charter airline which, if absorbed by Airtours he argues, would reduce the number of carriers available for smaller tour companies.

"This will be a serious blow to the independent tour operator and will lead to further lack of choice and eventual control of the industry by one or two major players," Mr Josephides said.

If the bid succeeded, Airtours share of the UK market would approach the 33 per cent controlled by Thomson, which has dominated the industry for more than a decade.

Mr Derek Prentice, assistant director of the Consumers' Association, said he was less than optimistic that the bid would be referred to the MMC, given that recent UK competition policy had been "cloudy".

But the referral was being requested on the grounds that Airtours would have between 27 and 30 per cent of the holiday tour market, above the 25 per cent figure that normally triggers an MMC investigation.

Airtours is not expecting the bid to be referred. It investigated the likelihood of such a move before bidding.

Mr Josephides, whose organisation represents about 120 independent travel groups, was also downbeat about the state of the holiday tour market.

"There is a mood of caution and pessimism in this, the most naively optimistic of industries," he said.

"The prices being charged for 1993 holidays are artificially and dangerously low."

Meanwhile, it emerged that Sir Michael Bishop, chairman of British Midland Airways and a non-executive director of Airtours, holds 58,096 shares in Owners Abroad.

The holding should have been declared when Airtours announced its bid last week.

'Massive interest' in Lilley businesses

By Andrew Bolger and David Owen

RECEIVERS to Lilley said there had been "massive interest" in the businesses of the Glasgow-based contracting and construction group, which collapsed last week with debts of more than £80m.

Price Waterhouse, the receivers, have put a deadline of noon tomorrow for inquiries about the businesses, which have work worth about £100m in hand.

A further announcement, possibly relating to finalised trade sales or management buy-outs, will be made tomorrow afternoon.

Meanwhile at Westminster, 18 MPs put their names to an early day motion expressing deep concern at Clydesdale Bank's "cynical" decision to call in the receivers and the "subsequent actions of the receivers in ending the trading of financially healthy subsidiaries of the Lilley Group."

The motion went on to note that the receivers were "now stating" to companies owed money for work carried out for MDW, a Glasgow-based construction subsidiary, that "debts outstanding of almost £16m have been transferred to Lilley Group plc, who will be unlikely to make these payments."

It called on the department of trade and industry to introduce regulations to safeguard the rights of viable companies in such circumstances.

Mr Iain Bennet, the partner in charge of the receivership, said every effort had been made to continue the activities of the subsidiaries, although 343 people have so far been made redundant out of a total of 1,900 employed by the subsidiaries which are in receivership.

Mr Bennet said it was true that trade creditors to subsidiaries were unlikely to receive any payment, but said this was inevitable when a group went into receivership and its assets and the likely proceeds of its disposals were greatly exceeded by its debts.

Microchip success spurs Acorn share price

By Alan Cane

SHARES IN Acorn Computers, the Cambridge-based workstation manufacturer in which Olivetti of Italy has a majority stake, have risen by about 40 per cent in the past few days.

Throughout December, the price hovered around the 40p mark; yesterday it closed at 56p, having soared over 70p earlier in the week.

The likely cause is news that a microprocessor chip developed by a subsidiary is to be used for a series of new US consumer electronics products.

Acorn issued a statement yesterday denying knowledge of any factors which could have caused the share price movement.

Mr Sam Wauchope, Acorn managing director, said there was nothing beneath the surface which had not been made public.

Acorn, which made its reputation in the UK supplying computers to schools, holds a 49 per cent stake in Advanced Risc Machines, a semiconductor design house.

The other partners are Apple Computers, one of the largest personal computer manufacturers, and VLSI Technology, a US semiconductor manufacturer.

ARM has designed a family of powerful, but low-cost, microprocessors for use in hand-held computers, smart cards and consumer electronic products.

Last year it was announced that ARM chips would be used in the Apple "Newton", a personal electronic assistant functioning as diary, address book and organiser, which will accept handwritten instructions.

This news coincided with the beginning of a rise in Acorn's share price – from 6p to 40p – over six months.

This week's rise coincides with the news that an ARM chip will be used in a revolutionary video graphics and video games machine announced in the US by 3DO Company.

A later version of 3DO's "interactive multiplayer" will play music CDs and photo CDs.

Mayflower $7.5m US buy

By John Griffiths

MAYFLOWER Corporation, the specialist motor engineering group, is to expand its US operations through the purchase of an Ohio stamping facility for $7.5m (£4.9m) cash.

It will use the facilities to produce steel and aluminium panels for truck and niche car markets.

Mayflower already owns Motor Panels, the Coventry-headquartered concern which claims to be the world's largest independent designer of truck cabs and car and truck bodies.

Motor Panels supplies bodies for Jaguar, Rolls-Royce and Rover among others, as well as truck cabs for Leyland DAF and Iveco Ford. Its Ohio and North Caroliner-based subsidiary supplies cabs for Mack, Freightliner, Western Star and Autocar trucks.

Mayflower said yesterday that its latest acquisition, the assets of Shadyside Stamping Plant, of Shadyside, Ohio, would broaden its supply capability to the US motor industry.

Bricom chief appointed

BRICOM'S bankers have appointed Mr Tony McCann as chief executive with a brief to develop a long-term strategy for the company.

Bricom started as a management buy-out from British & Commonwealth before being taken over in 1990 by a group of Swedish investors led by Gamelstaden. It is now controlled by its bankers after running into financial difficulties.

Mr McCann, who has worked for Black and Decker and Littlewoods, said he planned to identify the core-businesses and those which might be for sale. Bricom recently sold Spinneys, a group of marketing and retail companies, to Inchcape, the international services and marketing group, for £32.1m.

TGI sells remaining stake in Goodmans Inds

TGI, the professional and consumer audio manufacturer, has sold its remaining investment in Goodmans Industries for £1.55m. That represented a £1m premium over book value.

The consideration is being satisfied as to £1.43m cash with the balance payable in September 1993. Goodmans returned pre-tax profits of £432,000 for the year to January 31, 1992. Net assets at that date amounted to £2.09m.

Virgin venture gets all-clear

Virgin Group's proposed joint venture with Blockbuster Entertainment, the US video rental group, to build music mega-stores throughout the US and on the Continent will not be referred to the Monopolies Commission.

COMPANY NEWS: UK

D Smith rises to £15m on back of French unit

By Maggie Urry

DAVID S SMITH, the paper and packaging group, announced pre-tax profits of £15.2m for the half year ended October 31, against £3.1m previously, which was struck after exceptional charges of £8.7m.

Mr Peter Williams, chief executive, said the contribution from Kaysersberg Packaging, the French company acquired for £154m at the end of last March, had more than offset the fall in profits in the UK paper division – which only broke even.

UK packaging maintained profits, but the UK paper business had been hit by unfair competition from Germany, Mr Williams said. The group has lodged a complaint with the European Commission.

Group turnover rose from £171m to £259m, with Kaysersberg chipping in £81.7m.

Operating profits of £19.6m (£11.4m), included £11.9m from Kaysersberg, whose high margins offset a decline elsewhere. However, an interest charge of £4.4m (£400,000 credit) was all due to Kaysersberg.

In the UK, conditions were the worst he had experienced. But Mr Williams was now more optimistic about a recovery in demand, with corrugated case material volumes up 7 per cent, allowing a small price increase.

Redevelopment of the Kemsley mill was nearly complete and by the autumn it would be producing at an annual rate of 400,000 tonnes. Kemsley has been losing between £6m and £7m a year.

A labour dispute at the Abbey Corrugated sheet feeder plant cost more than £1m and volumes there had yet to be rebuilt.

Mr John Miller, finance director, said that a high level of capital spending, £27.7m in the first half (£7.4m) and an expected £50m to £60m for the year (£21.7m), meant the group should pay no tax in the current year and a low charge for the next couple of years.

Net debt of £95.1m (cash of £13.7m) at the end of the half year gave gearing of 43.9 per cent. However, fluctuations in the franc, in which most of the debt is denominated, could change gearing significantly.

Earnings per share were 12.2p (3.4p after the exceptional charges) and the interim dividend is unchanged at 2.75p.

● COMMENT

Smith's share price initially rose in reaction to the figures, but after the market considered the implications of a weaker continental market the shares fell back to close 1p lower at 314p. Forecasts were shaded back too, an all too familiar and depressing story with Smith. However, by comparison with the substantial losses being made in other parts of the paper industry Smith is doing well. There is still every hope of reasonable profits growth in coming years. Forecasts of about £28m (£24.1m before exceptionals) and no tax, give a prospective p/e of about 14, which gives nothing away.

GKN to expand US production

By John Griffiths

GKN, the UK motor components and industrial services group, is to build a new plant in Roxboro, North Carolina, to assemble and distribute vehicle driveline components.

It is also to expand its manufacturing facilities at nearby Sanford and Alamance.

In combination, the investments will increase GKN's North American production capacity for such components by 60 per cent between now and 1996. They form part of a $50m (£32.8m) expansion plan outlined last October. At the time, however, GKN was still reviewing its options on precisely how capacity should be expanded.

The new facilities, to be operated by GKN's North American subsidiary, GKN Automotive, will give it capacity to build 3.3m constant velocity joint and driveshaft sets per year.

Set up in 1976, GKN-AI has become the main independent North American producer of such components, supplying Ford and Chrysler as well as Japanese "transplants" operated by Toyota, Honda and Mazda.

Growth record maintained despite 'increasingly adverse trading conditions'

First Leisure shows modest gain to £31.1m

By Andrew Bolger

FIRST LEISURE, the 10-pin bowling, discotheque and tourist attractions group, maintained its 10-year record of profits growth in spite of what it described as "increasingly adverse trading conditions".

The company, which was bought from Trusthouse Forte for £37.5m in 1983 and floated the following year, increased its pre-tax profits by 2.3 per cent to £31.1m in the year to October 31. Turnover rose 2 per cent to £108.5m.

The profits figure was flattered by a £1.3m credit, arising from unclaimed capital allowances. The company hopes to negotiate a further credit of £700,000 for the current year, but said its tax rate was likely to increase from last year's low of 20 per cent to an underlying rate in the high 20s.

Mr John Conlan, chief executive, said the modest improvement in profits had been achieved even although six of the group's largest discotheques had been closed for refurbishment during periods of the year. Overall capital expenditure rose from £29m to £34m, about £8m of which was spent on the discos.

The group invested heavily in its Blackpool Tower and Winter Garden complex, but most of its expansion is now geared towards expanding its spread of 10-pin bowling alleys and discos. Mr Conlan said the fall in property values in the south-east of England gave the group an opportunity to expand there, particularly around and within the M25.

In spite of the heavy capital expenditure, net borrowings remain flat at £33m and gearing fell slightly, from 13 to 12 per cent.

Although First Leisure dipped its toe into European waters by buying a large disco in Amsterdam two years ago, Mr Conlan said the priority would be to expand in the UK. As well as participating in large edge-of-town leisure complexes, the group is looking at challenging the grip of Bass and Rank Organisation on the bingo market. It is also looking at opportunities in the health and sports field.

Lord Rayne, chairman, said that as the group expanded it would be increasingly able to benefit from benefits of scale in its buying of drinks, goods and equipment such as amusement machines. It is investing £3m in electronic point of sale technology and hopes to use it to emulate large retailers by improving margins and stock control.

Mr Conlan said that while he was planning that 1993 would be a year of recession, as 1992 had been, the group would continue to invest heavily from cashflow and would benefit quickly from any recovery in consumer confidence.

Earnings per share rose to 15.83p (15.67p). A final dividend of 4.26p gives a total of 6.14p (5.695p), an increase of 7.8 per cent.

See Lex

Downturn to £10.3m at Watson & Philip

By Matthew Curtin

WATSON & Philip, the Dundee-based wholesale and retail food group, reported a 12 per cent decline in pre-tax profits, from £11.8m to £10.3m, in the 53 weeks to October 30, reflecting deteriorating trading conditions in the second half.

Turnover improved to £492m (£461.8m). However, sluggish sales from the core business – supplying food to shops not owned by the group – offset good performances from its Spar and VG convenience stores, cash and carry shops, and its higher-margin catering supply division.

Operating profits fell from £11.9m to £10.7m. Mr Ian Macpherson, chairman, said shoppers were spending smaller amounts, on average only £2.30 a visit by the year-end, compared with £2.60 last year.

He added that conditions were particularly tough in southern England where the group was expanding its network of Alldays convenience stores. Many new stores failed to trade profitably, but business was better in northern England and Scotland.

He said up to £500,000 lost through bad debts and shrinkage exacerbated weak sales. In addition, the group paid £470,000 in exceptional expenses associated with the closure of a retail services depot and restructuring of the retail services division.

Earnings per share declined to 21.7p (25.4p). The final dividend is increased to 9.1p, making a total of 13.3p (12.8p).

● A 16.2 per cent stake in the group, worth about £15m, was sold yesterday morning by the Jacques family, from whom W&P bought Amalgamated Foods in a £35.5m all-share deal in May 1991. The price was at "a modest discount to the market", the group said; the shares closed 1p higher at 285p.

Mr David Bremner, managing director, said the Jacques family made their intention to sell known in December, having been constrained by a standstill agreement precluding any sale before May this year without W&P's consent.

BOARD MEETINGS

TODAY

Interims- Baring Chrysalis Fund, Baring Puma Fund, Birkdale, Cray Electronics, First Spanish Inv Trust, Goode Durrant, Hampson Inds, Jones Stroud, Stanley Leisure, Wyko

Finals- Aberforth Smaller Companies Trust, Densmans Electrical, Intercare, Microgen, Neotronics, Rank Organisation, Securicor, Security Services, TSB, Windsor

FUTURE DATES

Interims-	
Beales Hunter	Jan 20
Bryant	Feb. 8
Daejan	Jan 19
Electron House	Jan. 20
Farepak	Jan. 28
Goodhead	Jan 29
Investment Co	Jan 15
Kleinwort High Inc Trust	Jan 28
Menzies (John)	Feb. 8
Resort Hotels	Jan. 20
Richmond Oil & Gas	Jan. 22
Finals-	
Alexanders	Feb. 12
EFM Java Trust	Feb. 8
London Scottish Bank	Jan. 21
Lookers	Jan 25
Malvern UK Index Trust	Jan. 22
PWS	Jan. 21
Soundtracs	Jan. 19
Thames TV	Mar 18

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Aberforth Split ....int	2⁑	Mar 5	2	-	9
Dixons ....int	1.6	Mar 1	1.6	-	6
Dudley Jenkins §......int	1†	Mar 26	1.35	-	4
First Leisure ....fin	4.26	Apr 6	3.95	6.14	5.695
Newman Tonks ......fin	5.5	Mar 29	5.5	9.3☆	9.3
Smith (David S) ......int	*2.75*	*Mar 15*	*2.75*	-	*9.5*
Southern B'ness ....fin	2.23	Mar 5	1.91	3.38	2.94
Watson & Philip ......fin	9.1	Feb 22	8.8	13.3	12.8

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆For 14 months. ⁑Second interim making 4p to date.

CONTRACTS & TENDERS

LEGAL NOTICES

PIPELINES ACT 1962
ELECTRICITY & PIPELINE WORKS (ASSESSMENT OF ENVIRONMENTAL EFFECTS) REGULATIONS 1990
APPLICATION FOR PIPELINE CONSTRUCTION AUTHORISATION
BRITISH GAS EXPLORATION AND PRODUCTION LIMITED
PROPOSED NORTH MORECAMBE DEVELOPMENT PROJECT
36" NATURAL GAS/CONDENSATE AND 3" METHANOL CROSS COUNTRY PIPELINES

British Gas Exploration and Production Limited hereby give notice, in accordance with the provisions of Part 1 of Schedule 1 to the pipelines Act 1962 and regulation 7(3) of the Electricity and Pipeline Work (Assessment of Environmental Effects) Regulations 1990, that an application has been made to the Secretary of State for Trade and Industry for the grant of authorisation for construction of cross-country pipelines.

The proposed pipelines, which are to be for the conveyance of Natural Gas/ Condensate and Methanol are to be run between the Low Water Mark to West of Walney Island and the Pig Trap in North Morecambe Terminal.

The pipelines will be owned by British Gas Exploration and Production Limited.

Copies of the map, on which the proposed route of the pipelines is delineated and which will run with limits on deviation of 50 metres on either side and the Environmental Statement (which accompanied the application) can be inspected during normal office hours in Room 3.M.1, Department of Trade and Industry, 1 Palace Street, London SW1E 5HE and at the following offices of the following local authorities:

Director of Development, (FAO Mr C Phillips), Barrow in Furness Borough Council, Town Hall, Duke Street, Barrow-in-Furness, Cumbria LA14 2LD.

County Planning Officer (FAO Mrs Rieder), Cumbria County Council, County Offices, Kendal, Cumbria LA9 4RQ.

A copy of the Environmental Statement may be obtained from the Director of Development, (FAO Mr C Phillips), Barrow in Furness Borough Council, Town Hall, Duke Street, Barrow-in-Furness, Cumbria whilst stocks last at a cost of £15.00 each.

Objections to this application should be made in writing, setting out the grounds of objection and bearing reference PX 75/706/22 and should be sent to the Secretary of State for Trade and Industry at 1 Palace Street, London SW1E 5HE (marked FAO Mr G R T Cobb, Pipelines Administration) to arrive not later than 15th February 1993.

Rivermill House, 152 Grosvenor Road, London SW1V 3JL — J. M. Sadler, Secretary

Notice of Appointment of Administrative Receiver.

INTEX BUILDERS PLC

Registered Number: 1955712. Nature of Business: Builders. Trade Classification: 23. Date of Appointment of Joint Administrative Receivers, 5 January 1993. Name of person appointing the Administrative Receivers: National Westminster Bank Plc. Joint Administrative Receivers: N J Vooght (office holder number 6939) C J Hughes (office holder number 2041).

Address: Cork Gully, PO Box 262, Orchard House, 10 Albion Place, Maidstone Kent, ME14 5DZ.

Notice of Appointment of Administrative Receiver.

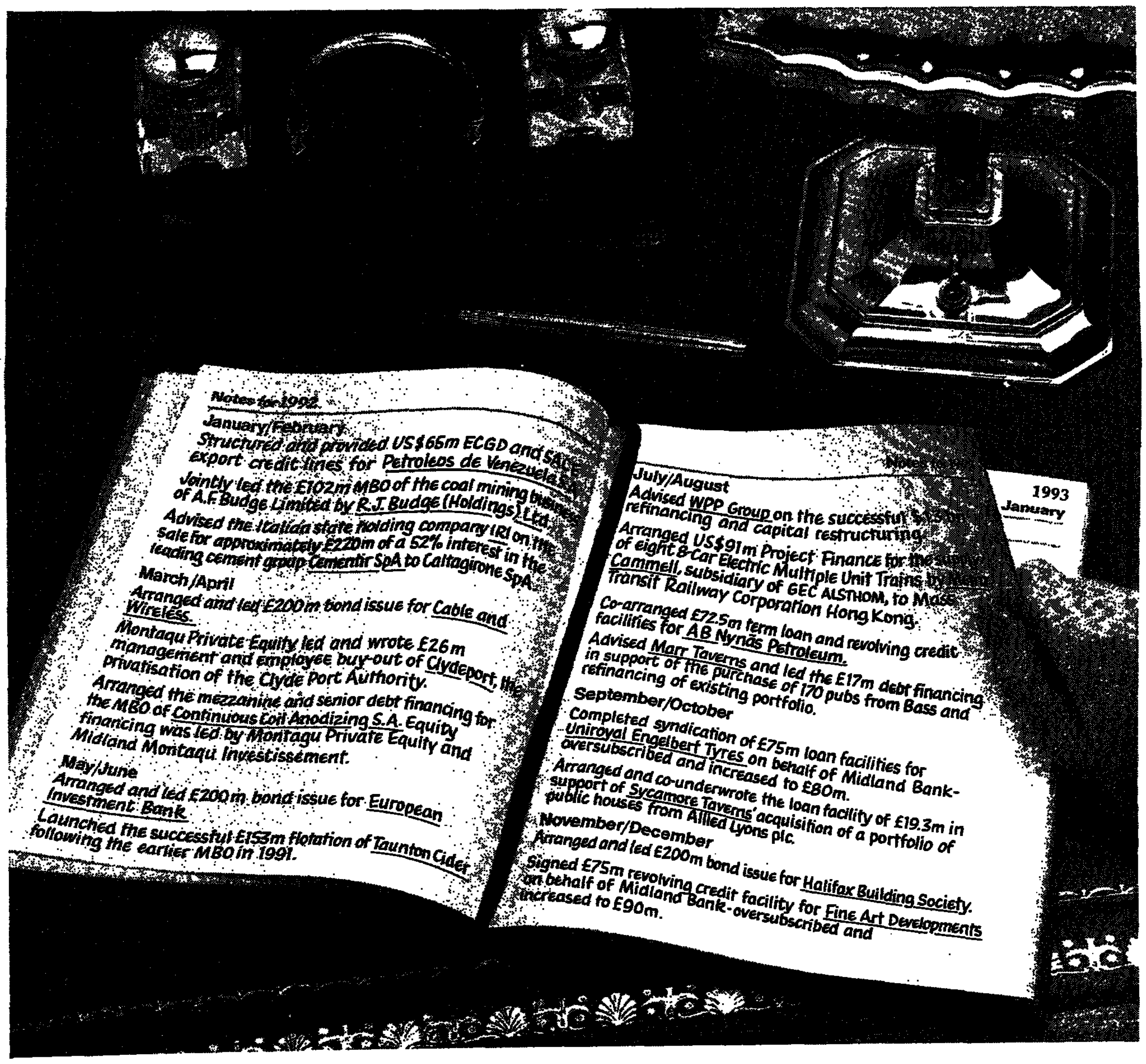
Kronberg Investments Inc

Registered number: N/A Registered in Republic of Panama. Nature of business: Residential Accommodation. Trade classification: 47. Date of appointment of administrative receiver: 6th January 1993. Name of person appointing the administrative receivers: Den Danske Bank A/S. Malcolm Ellis Cork and David C King, Joint Administrative Receiver (office holder no(s) 1841 and 2221. Address Booth White, 1/2 Little King Street, Bristol BS1 4HW.

COMPANY NOTICE

Statni Banka Ceskoslovenska
US$200,000,000
9% Notes due 1994

Notice is hereby given to the holders of the Statni Banka Ceskoslovenska U.S.$200,000,000 9% Notes due 1994 that following the dissolution of Statni Banka Ceskoslovenska on January 1, 1993, the Czech Republic and the Slovak Republic have assumed joint and several lability as principal debtors for the entire obligations in respect of the Notes.



COMPANY NEWS: UK

A formula full of eastern promise

Oresa builds on early success in Europe. Peggy Hollinger reports

WHEN Mr Jonas af Jochnick set up his door-to-door cosmetics company in eastern Europe two years ago there was no shortage of pessimists – including, to some extent, himself.

So far, however, the doomsters appear to have been proved wrong. Oresa, formed with £10m capital in 1990, is likely to have achieved sales of more than £25m in the year to the end of December 1992. Profits are expected to be "substantially better" than the £500,000 achieved on sales of £4m in the first year.

"People were warning us it would be difficult," he says. Trying to get people to work as effectively as in the west is given as one example.

"They said the people had been destroyed under communism. In fact, we have found it has been exactly the opposite. They are enormously hard-working." In just two years Oresa has built up a network of 50,000 sales people.

Mr af Jochnick and his brother, Robert, were the brains behind the UK-quoted Oriflame International, the door-to-door retailer and manufacturer which supplies cosmetics and toiletries to Oresa. Originally from Sweden, the brothers set up Oriflame in 1967 following their discovery of the Tupperware party phenomenon in the US.

After a brief flirtation with the jewellery market in the UK and Sweden during the 1980s, the two brothers decided to return to their cosmetic roots. However, the depressed UK economy and the almost impregnable stranglehold on the sector by the likes of Avon, one of the world's biggest door-to-door cosmetics retailers, made expansion difficult.

Then, in 1989, the Berlin wall came down and everything changed. While Avon was busy ferrying its representatives out to the wall with free welcome samples for migrating east Germans, Oriflame got to grips with legislation in Hungary, Poland and Czechoslovakia. Within six months it decided to set up a separate entity, chaired by Jonas, to pursue joint ventures and acquisitions in eastern Europe.

Jonas af Jochnick

The UK company, headed by Robert, was only prepared to put in £2.5m for a 25 per cent stake. Shareholders were offered the opportunity to invest a further £7.3m through an unusually structured issue of seven Oresa shares for every one Oriflame. Investors were warned by Robert that not only was Oresa "highly speculative", but that "there is a risk the entire investment could be lost". Furthermore, there would be no hope of a dividend in the foreseeable future.

In spite of such grim warnings, Oresa has "gone like a rocket", says Robert, whose own company was £1m richer at the interim trading level, the result of both sales and royalties from supplying Oresa.

The two most important factors for door-to-door selling – people eager to work and people eager to buy – were there for the taking. Both Jonas and Robert say Oresa benefited from the lack of a retail structure and high unemployment in the former communist bloc.

The brothers are also convinced that their decision to commit an entire company at the very early stages has given them the head start over bigger rivals such as Avon, which so far has concentrated mainly on the former eastern Germany and Hungary.

It has not been an easy road, however, as Jonas is quick to point out. "Going into eastern Europe in 1990 was a little bit like being in the Wild West," he says. "You have to be very flexible and adapt."

The difficulties seemed endless – from recruiting suitable local management to coping with inflation of 70 per cent in Poland. Learning to cope with the ever-changing legislation of the former eastern bloc has also been a traumatic experience.

In Russia, for example, "we had no idea whether the import regulations which applied when the product was sent would actually be those applied when it arrived two weeks later," Jonas says. The especially volatile conditions of the former Soviet Union have meant a more cautious approach to setting up there.

Currency problems are also a potential nightmare. However, in the countries where Oresa operates regulations allow the purchase of hard currency to pay for its imports. Oresa trades in local currency and also uses it to invest in its own manufacturing facilities.

The company has recently purchased a Polish factory which will require investment of at least £7m. Jonas says the money will be internally generated.

The biggest difficulty, however, has been margins. According to Jonas it is impossible to sell at prices similar to those in the west. "We had to give people the opportunity to purchase what they were not used to ... cosmetics and toiletries of European standards." Therefore, the lipstick a British customer buys for £3.25 will be sold for roughly £2.30 by Oresa.

Eventually the Polish factory should allow Oresa to manufacture more cheaply. In the meantime, however, "we will simply have to be more economical". Jonas also argues that his company operates on far lower costs than its western counterparts, using local employees and management.

The critics, however, are dubious. "It is an expensive process selling door-to-door," says Mr Simon Knott, of stockbrokers Greig Middleton. "You have got to have the right margins."

Furthermore, the sheer scale of risk remains with much still uncertain in eastern Europe.

Newman Tonks brings dividend forward

Directors of Newman Tonks have decided to bring forward payment of the final dividend for the 14 months to end-December 1992.

A second interim dividend of 5.5p in lieu of a final will be paid on March 29 making a total of 9.3p for the 14 months – the same as was paid for the previous 12 months.

Last July the directors announced that the year-end was to be changed from October 31 to December 31 and that future final dividends would be paid in May. They said yesterday that they were bringing forward payment in order to give shareholders more time to adjust to the new payment timetable.

Southern Business rides out storm and rises 6%

By Angus Foster

SOUTHERN Business Group, the photocopier and vending machine supplier, yesterday announced a 15 per cent dividend increase in spite of much smaller rises in turnover and profits.

A final dividend of 2.23p is proposed, making a total of 3.38p, an increase of 15 per cent.

Mr David McErlain, chairman, said the company was confident about the outlook and had ridden out the recession. The shares added 4p to 115p.

Pre-tax profits advanced 6 per cent from £14.4m to £15.3m in the year to September 30. The increase was due to acquisitions made during the period, which contributed £850,000 on turnover of £3.47m. Profits from continuing operations were unchanged at £14.4m.

Turnover from continuing operations gained 5.6 per cent to £53.8m. Including acquisitions, turnover increased 12 per cent to £57.3m. Earnings rose 5.5 per cent to 10.62p per share.

Forward contracted income increased 5 per cent to £313m, helped by about 1,000 new customers signed up during the period. These customers made up for reduced volumes from customers affected by recession, Mr McErlain said.

NEWS DIGEST

Recovery continues at Kelt

KELT ENERGY, the independent oil and gas explorer, swung from losses of £4.13m to profits of £629,000 pre-tax for the half year ended September 30.

The group returned to profits in the second half of last year and finished the 12 months with a profit of £163,000.

First half turnover totalled £8.91m (£18.1m, including £6.95m from discontinued operations). Earnings per share of 0.4p compared with losses of 9.6p.

Directors said the figures reflected the streamlining which took place at the end of 1991. They added that the results were "free of the distortions" caused by the 1991 financial reorganisation.

Novalal share dealings suspended

Dealings in shares of Novalal, the USM-quoted plant propagation and biotechnology company, were suspended at 3p yesterday at the company's request pending clarification of its financial position.

The last published results were for the 17 months to end-December 1991. These showed a loss before tax of £3.49m.

The accounts were qualified by auditors Ernst & Young. The auditors said said they had been prepared on a going concern basis, which depended on the successful outcome of actions being taken to secure the viability of the group.

Dudley Jenkins up 51% at £383,000

Dudley Jenkins Group, the USM-quoted mailing list broker and supplier of services to users of direct mail, returned pre-tax profits of £383,000 for the half year ended October 31.

That was an improvement of 51 per cent over last time's £254,000 and came on the back of a 9.5 per cent rise in turnover to £5.18m.

However, the interim dividend is trimmed from 1.35p to 1p.

Earnings per share amounted to 2.71p (2.54p).

In considering the dividend, the directors said they also considered the enlarged number of shares now in issue – 9.04m at the period end against 6.06m.

In their view, "it would be imprudent to follow a progressive dividend policy, resulting in a continued uncovered dividend".

For the last full year to end-April the group paid a total dividend of 4p which was uncovered by earnings of 3.9p per share.

Net assets down at Aberforth Split

The net asset value of Aberforth Split Level Trust was 181.7p per capital share at December 31, down from 196.7p at the trust's July year-end and 185.9p at end-December 1991.

Net revenue for the six month period amounted to £804,000, down from £842,000 last time, equivalent to earnings of 5.36p (5.61p) per income share.

An unchanged second interim dividend of 2p is declared, making 4p to date; directors warned, however, that it was unlikely that last year's total of 9p would be maintained.

NEWS IN BRIEF

BLYSTAD has gained shareholder approval for an immediate name change to KCA Drilling Group and for re-registration as a private company.

BLP GROUP: The mandatory offer from BLP (Jersey) for the outstanding ordinary and preference shares has closed with BLP (Jersey) and persons acting in concert holding or having acceptances for 4.22m ordinary shares or 63.6 per cent and 215,000 preference or 6.1 per cent.

BUSINESS TECHNOLOGY Group has acquired Executive Vending, which sells and services vending machines in the East Anglian region, for an initial £15,000 in cash and shares, with up to a further £75,000 based on future profits.

KALON GROUP has paid a maximum £250,000 for Chelec, a West Yorkshire-based supplier of materials to builders' and plumbers' merchants.

MENVIER-SWAIN Group, supplier of emergency lighting and fire alarm equipment, has bought Friemann & Wolf Notstromund Systemtechnik, a German emergency lighting company, for DM2.1m (£830,000).

NO PROBES: Proposed acquisitions of 20 per cent stake in Mercury Communications by BCE and 20 per cent stake in BCETI Cable by Cable and Wireless will not be referred to the Monopolies Commission.

PUBLIC WORKS LOAN BOARD RATES
Effective January 12

	Quota loans*		
Years	EPT†	ATT††	at maturity§
1			6⅞
Over 1 up to 2	7	7	7¼
Over 2 up to 3	7⅛	7⅛	7½
Over 3 up to 4	7¼	7¼	7⅝
Over 4 up to 5	7⅜	7⅜	7⅞
Over 5 up to 6	7½	7½	8¼
Over 6 up to 7	7⅝	7⅝	8½
Over 7 up to 8	7¾	7¾	8⅞
Over 8 up to 9	7¾	8	9⅛
Over 9 up to 10	8	8⅛	9⅜
Over 10 up to 15	8⅞	9¼	9⅞
Over 15 up to 25	9¾	10	10⅛
Over 25	10	10⅛	10⅛

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). §With half-yearly payments of interest only.

One Market.
One Newspaper.

One Survey.

'The Single European Market' will be published with the Financial Times on January 19.

As you'd expect of Europe's Business Newspaper it will be the definitive survey on this landmark development, with an expert team of journalists providing in-depth analysis of every aspect of the Single Market.

It will be read by over a million business people around the world. Make sure you're one of them by getting your copy of the FT on January 19.

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Iraq crisis fails to revive oversupplied oil market

By Deborah Hargreaves

OIL PRICES increased by some 30 cents a barrel yesterday following the news of US raids on Iraq, but the market quickly slipped back into fears about over-supply and prices dropped. North Sea Brent crude for March delivery ended unchanged at $17.10 a barrel.

"The news about Iraq made many people nervous in the market and speculators moved to cover short positions," said Mr Andrew LeBow, market analyst at E.D. & F. Man in New York. But he said producers were selling into the rally.

New York prices were stronger than those in London in spite of production problems in the North Sea because of severe storms. March futures prices on the New York Mercantile Exchange were up 23 cents in mid-day trading at $18.79 a barrel.

In spite of the tension in the Middle East, traders were still worried about over-production by the Organisation of Petroleum Exporting Countries. Iraq is at present barred from exporting oil by United Nations' sanctions and action against it has no short term threat to oil supplies.

Libya said yesterday it would cut 50,000 barrels a day, but traders were sceptical.

Venezuelan oil officials indicated to the Reuter news agency yesterday that Mr Alirio Parra, Venezuela's oil minister and Opec's current president was embarking on a Middle East tour to seek a deal that would take 600,000 b/d out of the market before Opec's next meeting on February 13.

Analysts believe Opec must cut at least 1m b/d if it is to lift oil prices. The International Energy Agency said it expected world oil demand to increase by 600,000 b/d in 1993, a modest rise of just 1 per cent from levels in 1992.

At the same time, figures released by the American Petroleum Institute late on Tuesday night showed that US stocks of oil products had increased last week. Stocks of heating oil, diesel oil and jet fuel were up by 1.1m barrels and gasoline stocks had risen by 5.4m barrels.

Bad weather halves Norwegian crude output

By Karen Fossli in Oslo

NORWAY'S 2.3m barrels-a-day oil production has been cut by nearly half since Monday as storms have hampered offshore crude oil loading by tankers, and two fields may be closed today unless the bad weather relents.

The 100,000 barrels-a-day Snorre platform, operated by Saga Petroleum, Norway's biggest independent oil company, has been shut down since Monday, while the 700,000 b/d Statfjord field and the 450,000 b/d Gullfaks field have both been restricted to about 50,000 b/d. Both fields operate offshore crude oil loading systems from which tankers are able to load crude only if waves are below 4.5 metres. Yesterday, they were exceeding five metres. The two platforms' oil storage capacity was nearly filled and seven tankers were queueing to load crude.

Statoil official Ms Wencke Skorge warned that unless the tankers were able to load crude by last night, Statfjord and Gullfaks would have to be closed this morning. It would take about 24 hours to bring the fields back on stream. Ms Skorge estimated that the closures of the two platforms would mean a gross revenue loss of $250m a day.

Last year, Statoil produced a record 1.1m barrels of oil a day, or an aggregate 442m barrels for the year. Production was also temporarily halted yesterday at Oseberg, Oseberg C and Gamma North fields, operated by Norsk Hydro. The fields' oil is piped ashore to storage tanks from where it is loaded by tankers. Bad weather has also interfered with these operations.

● The Ninian oilfield in the UK North Sea was expected to halt production later yesterday if bad weather kept the Sullom Voe terminal in the Shetland Islands closed, said Chevron Corporation, the fields operator, reports Reuter.

The closure of the Ninian field would also result in the closure of the Magnus field, operated by British Petroleum, the Total-operated North Alwyn field, Unocal Corporation's Heather field and Lasmo's Staffa field, Chevron added. Oil from these fields is piped to Sullom Voe via the Ninian field.

The total oil pumped, including Ninian, is some 300,0000 to 350,000 barrels a day.

● BP said it had shut down the 20,000-25,000 b/d Thistle platform after a plug failure on the main oil line led to gas and oil leaking into the crude pumping area.

Organic farming outgrows its niche

Bill Hinchberger reports on an industry conference in Brazil

THE OLD favourites remained as popular as ever: papers being given on the "Nodulation and Nitrogen Fixation of Selected Food Legumes in Organic Systems" and "Ecological Agriculture and Indigenous Knowledge in the Bolivian Andes".

But conspicuously encroaching on the agenda of a recent international scientific conference on organic agriculture in Sao Paulo, Brazil, were topics that reflect increasing commercial success. Among the most salient issues under discussion at the gathering were trade, regulation, and certification standards. "We've grown out of our niche," proclaimed Mr Volkert L. Engelsman, representative of Eosta, a Dutch trading company that deals in organic and "biodynamic" agricultural products.

In an age of growing ecological and health awareness mainstream growers can no longer discount their organic competitors as a fringe element unable to tell a balance sheet from scrap paper destined for the recycling bin. If there is anything extraordinary about organic agriculture it is the sector's growth. "It is growing like crazy," remarked Mr Thomas B. Harding Junior, a Pennsylvania organic farmer, and vice president of the International Federation of Organic Agriculture Movements.

Mr Harding looks like your average American farmer, with the sturdy build and slight paunch of a man who appears to enjoy his meals. As the only businessman (as well as the first non-European) among the German-based federation's leadership, he was the man with the figures. He estimated that organically cultivated products had a worldwide market of between $30bn and $40bn a year, mostly in Europe, with Germany in the lead. America, he said, accounted for between $3.5bn and $5bn of that – with the figure expected to reach $10bn by 1995. Countries like Mexico and Brazil were emerging as important producers, he noted.

The success of this market depends on the ability to assure consumers that their produce, grains and processed foodstuffs are healthful and grown using environmentally sound practices. Some customers even want to be satisfied that labourers and small farmers, especially in the Third World, get a better deal than usual.

Organic agriculture professes the use of natural inputs – spurning the use of chemical pesticides, for example. Biodynamic agriculture is a stricter cousin, using a "holistic" approach that, among other things, aims to turn a farm into a "closed organism", using recycling and other means to generate as many of its own inputs as possible.

Unique consumer demands cry out for a credible certification system, creating more than the usual tension between free trade and regulation. "All regulations are trade barriers, and we hate them," said Mr Engelsman. "But as a movement dedicated to better agriculture, we see the need for some protectionism."

The biggest barrier to international trade right now appears to be a set of European Community standards taking effect this month for imports. The regulations were implemented for EC producers in July, but the deadline for third countries was extended to allow more time for registration.

Listening to exporters, the scheme sounds like old-fashioned trade restriction. "More paperwork and bureaucracy," complained Mr Alexandre H. Harkaly, of the Biodynamic Institute, a Brazilian non-governmental organisation that provides assistance to organic farmers. But they had better be prepared. In the US, a 1990 law similar to the EC provision is scheduled to take effect for imports in October.

In many countries, the private sector is attempting to solve the certification problem through self-regulation. But, as Mr Engelsman puts it, that leads to a Christmas tree of certification labels too numerous to cram on to your average box of herbal tea.

Government control, business people admit, may be the only answer – but the private sector wants a say. "We're all worried about government control, but we need to play by a common set of norms," said Mr Harding. "Organic can't mean something in one place and something else somewhere else."

Another new twist is on the distribution side. Traditionally, organic products have been sold primarily in health food stores. Now supermarkets are showing interest. In England, 90 per cent of organic products are already sold in supermarkets and in Denmark the figure is 70 per cent, according to Mr Engelsman.

Some major foodstuffs producers have explored opportunities in the sector, but smaller organic companies do not feel threatened yet. "The corporations do not have a lot of experience with products that are not standardised, especially in terms of availability and continuity. They like to have everything exactly the same," said Mr Ulrich Walter of Euroherb, a German company with a DM12m (£4.8m) annual turnover, that supplies organic herbs, spices, tea and coffee.

Growing interest from big business has even given Mr Walter's company a boost. Euroherb supplies DM, the German drugstore chain, with a line of about 20 herbal teas sold under the chain's Alnatura brand name.

Organic growers and distributors, whose prices tend to be higher than those of their conventional rivals, are leading advocates of environmental accounting, a concept batted around at the "Earth Summit" in Rio de Janeiro. The approach would make businesses put numerical values on things like environmental degradation. Mr Harding noted that organic agriculture used less non-renewable resources, less energy, and that the lack of chemical fertilisers eliminated the threat of aquifer (water source) contamination and improved the health and safety standards of farm workers. "If you account for these things, we produce more cheaply," he said.

Brazilian coffee exports down by 16.4% last year

By Bill Hinchberger in Sao Paulo

BRAZILIAN COFFEE exports declined significantly in terms of both volume and value in 1992, according to figures released by the Brazilian Federation of Coffee Exporters.

Brazil exported 16.4m bags (60 kg each) of coffee last year, down by 16.4 per cent from the 1991 total of 19.6m. Earnings came to $927.7m, a reduction of 36.5 per cent from 1991. The average price for Brazilian beans on the international market fell from $74.68 a bag in 1991 to $56.68 last year.

The federation attributed the lower volume to a reduced harvest. It estimated that the final tally would be between 18.8m and 24m bags, compared with 28m bags in 1991.

London Fox considers changes to sugar market

THE LONDON sugar futures market committee yesterday considered a consultants' report on developing the London markets, including one suggestion that the raws contract should change from dollars to sterling, reports Reuter.

"Those in favour of having a sterling raw sugar market are growing in number. But it will have to be considered further and it is much too early to take a decision at the moment," said Mr Michael Overlander, the committee's chairman.

The report, by Landell Mills Commodities Studies, was commissioned by the London Futures and Options Exchange (Fox) in June last year. The intention was to discuss ways in which the markets could adapt to changing world market conditions.

Traders have been concerned in particular by the recent decline in volumes on the raw sugar market.

In a previous attempt to revive interest, the market switched from floor trading to Fox's screen-trading system FAST, only to revert to the floor a year later, in January 1992.

Changing to sterling from dollars would open the way for arbitrage trading with the New York market, dealers said.

It has also been suggested that the exchange should rejuvenate the existing white sugar options contract.

The committee will now consult with other market users on the findings of Landell Mills' report. "We will expect to have completed this by early March," said Mr Robin Woodhead, Fox's chief executive.

Davy/Shearson consortium wins Dominican gold contract

By Canute James in Kingston, Jamaica

A CONSORTIUM of Davy International of the UK and Shearson Lehman Brothers of the US have been awarded a contract by Rosario Dominicana, the Dominican Republic's state-owned gold miner, for a refractory gold ore treatment plant, according to government officials in the Dominican Republic.

The officials said, however, that Rosario Dominicana and *Davy International are yet to* agree aspects of the contract, which will be determined by further feasibility studies and the raising of the funds, expected to be between $200m and $250m, for the project.

"Negotiations are still to be concluded, and when these are finished President Joaquin Balaguer will make a public announcement on the awarding of the contract," said one official.

Davy International and two other companies, Minproc Engineering of Australia, and Paulo Abib/Andrade Gutierrez of Brazil, were shortlisted by *Rosario Dominicana after* submitting bids for the project.

A statement by Davy International, a member of the engineering division of Trafalgar House, said the project involved the conversion of Rosario Dominicana's existing 10,000 tonnes-a-day oxide and transitional ore mill to treat between 10,000 and 15,000 tonnes-a-day of refractory (difficult to treat) gold ore.

The contract involves a study to identifiy the optimum ore throughput and the preparation of a "bankable feasibility study on the chosen option".

Shearson Lehman Brothers will be responsible for raising the money for the project.

Bolivian lithium deal set to be shelved

By Chris Philipsborn in La Paz

BOLIVIAN MINING officials say it is now almost certain that a deal to mine the world's biggest reserves of lithium, a light, heat-resistant metal used in the manufacture of aluminium, ceramics and glass, is to be shelved indefinitely.

The collapse after five years of negotiations, between Lithco, a subsidiary of the FMC corporation, and successive Bolivian governments should be announced officially by early February. Lithco has given the government 30 days to shift its negotiating position, an eventuality now seen as extremely unlikely.

This was a crucial deal for both parties. Lithco, facing competition in the lithium field from Cyprus Minerals, already present in neighbouring Chile, and needing a surface mining operation to enable it to convince foreign investors it was ready to do business, was equally eager for a deal.

According to calculations by Mr Fernando Urquidi Barrau, a respected observer of the mining scene, the Bolivian government stood to make about $30m a year for the 40 year duration of the contracts.

The affair will further damage Bolivia's image with foreign investors, particularly in the light of the recent fiasco over joint venture contracts between the private and state sectors. While emphasising that existing private mining ventures fare well, Mr Charles Bruce, executive vice president of mining consultants, Mintec, acknowledges this is a "black eye for the government".

Despite appearances, however, the government is not entirely to blame. As Mr Urquidi contends: "It looks as if Bolivia kicked Lithco out, but this is an incorrect impression".

Mr Urquidi speculates that Lithco was using both the Salar de Uyuni deposit in Bolivia and the similar Salar del Hombre Muerto deposit in Argentina as bargaining chips in a bid to secure rights to the Atacama deposit in Chile. Observers believe Lithco may have already signed a contract with Amax Minerals and Energy, the American company that owns the rights to the Chilean deposit.

Lithco has been a tough negotiator with Bolivia throughout. It insisted on a 40-year contract with a ceiling of 400,000 tonnes of lithium. In addition, it demanded a 10 per cent VAT rate rather than the usual 13 per cent. The Bolivian government eventually agreed to these terms, reducing its profit share rather than openly caving in on the VAT issue. The contract was signed by the Bolivian president on February 1992 and ratified by congress, though with three additional clauses which proved unacceptable to the company.

It is widely believed that Lithco had by then decided to pursue the Chilean deposit. Although Bolivia's Salar de Uyuni is believed to hold the largest lithium deposits in the world, it is apparently contaminated by high quantities of magnesium, which complicates the exploitation process. Infrastructure in Chile is far better. Furthermore, Chile is perceived to be more politically stable than Bolivia. Ultimately this was crucial in Bolivia's loss of the deal.

Lithco and Cyprus are the only corporations with the capability to mine lithium on such a scale. Both have now apparently secured deposits which will see them into the next century, leaving Bolivia out in the cold.

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD moved back towards a seven-year low on the London bullion market yesterday. Despite news of President Bush's decision to launch a military strike against Iraq, sentiment remains bearish. Comex gold futures were lower at midday, with New York traders pointing out that the yellow metal was continuing to lose its appeal as a safe haven during times of international turmoil. "The market is much more scared of central bank selling and currency fluctuations than anything going on in the Middle East," said one. **COPPER** prices ended a nervous LME session higher, with the market largely consolidating after Tuesday's massive declines, while **ALUMINIUM** also finished steadier. Dealers said the copper market seemed to pause amid confusion over its likely direction. Dips towards the $2,200 a tonne level for three-months delivery elicited buying support. In Chicago **WHEAT** futures were sustaining early gains in late trading, under the influence of the USDA's crop reports.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Feb)		+ or -
Dubai	$14.65-4.70	-.025
Brent Blend (dated)	$16.85-6.90	+0.10
Brent Blend (Feb)	$17.05-7.10	+.025
W.T.I (1 pm est)	$18.45-8.50	+.075
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$183-186	
Gas Oil	$171-172	+2
Heavy Fuel Oil	$72-74	
Naphtha	$177-179	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$327.45	-2.6
Silver (per troy oz)♣	367.5c	-5
Platinum (per troy oz)	$356.25	-1.75
Palladium (per troy oz)	$110	-1.7
Copper (US Producer)	110.0c	+1
Lead (US Producer)	34.63c	+1.13
Tin (Kuala Lumpur market)	14.80r	
Tin (New York)	270.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	117.00p	+0.89*
Sheep (live weight)†♣	88.29p	+0.78*
Pigs (live weight)†	79.72p	-0.73*
London daily sugar (raw)	$216	-1.3
London daily sugar (white)	$254.6	-2
Tate and Lyle export price	£248.5	
Barley (English feed)	£134.0	
Maize (US No. 3 yellow)	£161.0	
Wheat (US Dark Northern)	Unq	
Rubber (Feb)♥	64.00p	+0.25
Rubber (Mar)♥	64.50p	+0.25
Rubber (KL RSS No 1 Jan)	232m	+1.5
Coconut oil (Philippines)§	$455.0y	
Palm Oil (Malaysian)§	$410z	+2.5
Copra (Philippines)§	$265	-5
Soyabeans (US)	£174.5	-0.5
Cotton "A" Index	57.05c	+0.15
Wooltops (64s Super)	380p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Feb/Mar u-Feb.x-Aug.w-Dec/Jan. z-Jan/Mar. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♣Sheep prices are now live weight prices * change from a week ago. provisional prices

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	190.00	191.00	191.00	188.00
May	191.80	192.20	192.00	192.00
White	**Close**	**Previous**	**High/Low**	
Mar	251.60	252.80	253.70	250.50
May	252.40	254.00	254.20	251.00
Aug	257.40	259.00	258.50	257.00
Oct	245.00	246.80	246.50	245.50
Dec	248.50	-	249.30	248.00
Mar	250.20	-	250.30	248.50

Turnover: Raw 29 (5) lots of 50 tonnes. White 958 (1678) Paris- White (FFr per tonne): Mar 1404.68 May 1437.90

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Feb	17.17	17.03	17.40	16.95
Mar	17.36	17.22	17.58	17.14
Apr	17.49	17.38	17.68	17.31
May	17.62	17.56	17.80	17.47
Jun	17.74	17.65	17.74	17.61
Jul	17.70	17.70	17.70	
IPE Index	17.27	17.57		

Turnover 40901 (50845)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Feb	165.50	162.75	166.00	161.75
Mar	165.50	162.75	166.00	162.00
Apr	164.75	162.00	165.50	162.00
May	164.50	162.25	165.50	162.25
Jun	164.25	162.50	165.25	
Aug	168.75	167.50	169.00	
Sep	170.25	-	170.50	170.00
Oct	172.25	-	172.25	

Turnover 16375 (25740) lots of 100 tonnes

WOOL
Australian wool prices drifted gradually lower at the opening sales of the second half of the selling season this week. The AWC market indicator was 500 cents a kg on January 13, down 9 cents. Farmers are putting up some resistance to what for the vast majority are uneconomic prices and withdrawing wool at their own reserves or prior to the sale, but this in the longer term only means that more re-offered wool may later come onto the market. Christmas Sales were very low with almost 4 million bales overhanging the market. Excess of supply keeps buying slow and cautious.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Mar	706	694	706	697
May	719	710	719	710
Jul	732	724	733	724
Sep	747	741	748	738
Dec	767	764	767	759
Mar	789	786	789	780
May	805	799	800	795
Jul	818	812	818	
Sep	832	826	835	830

Turnover: 17530 (5325) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 12 752.80 (744 53) 10 day average for Jan 11 740.88 (739.80)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Jan	1005	987	1005	976
Mar	987	963	989	970
May	975	950	975	950
Jul	968	944	968	947
Sep	972	949	972	958
Nov	976	956	976	970
Jan	985	970	980	

Turnover:9622 (4103) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 12: Comp. daily 60.40 (59.08) 15 day average 62.88 (63.18)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	61.5	61.3	61.0
May	71.5	70.8	71.0
Apr	95.0	91.5	91.0

Turnover 37 (26) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Apr	150.00	-	150.00
Jun	140.00	-	140.00

Turnover 20 (0) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Jan	1280	1275	1280	1275
Feb	1250	1249	1250	
Mar	1255	1243	1255	1250
Apr	1270	1259	1270	1265
BFI	1302	1308		

Turnover 87 (324)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Mar	136.50	136.00	136.50	135.90
May	138.30	137.85	138.30	137.50
Sep	107.75	-	107.75	
Nov	110.20	110.00	110.20	
Barley	**Close**	**Previous**	**High/Low**	
Jan	130.50	131.00		
Mar	132.50	132.00	132.50	
Nov	109.20	109.00	109.20	

Turnover: Wheat 121 (192), Barley 57 (52). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	104.0	103.5	103.0
Feb	101.0	100.8	100.5

Turnover:4 (6) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 27,980 lots
Cash	1223-4	1214.5-5.5		1220-0.5		
3 months	1245-6	1237-8	1253/1239	1242-2.5	1250-1	182,967 lots
Copper, Grade A (£ per tonne)						Total daily turnover 66,890 lots
Cash	1440-1	1425.5-6.5	1443/1443	1443-3.5		
3 months	1457-8	1447-8	1469/1447	1463.5-4.0	1459-60	341,412 lots
Lead (£ per tonne)						Total daily turnover 2,041 lots
Cash	283-4	286-6.5	281.5/281	281.5-2.0		
3 months	293.5-4.5	296.5-7	297/291	291.5-2.0	290-1	19,488 lots
Nickel ($ per tonne)						Total daily turnover 9,483 lots
Cash	5950-60	6000-10	5990	5990-1		
3 months	6020-5	6070-5	6150/6025	6050-5	6030-40	42,118 lots
Tin ($ per tonne)						Total daily turnover 1,895 lots
Cash	5825-35	5825-30	5835	5830-5		
3 months	5890-5	5890-5	5930/5875	5895-900	5910-20	27,844 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 9,712 lots
Cash	1056.5-7.5	1050.5-1.5	1053/1053	1052-3		
3 months	1074.5-5.0	1069-70	1076/1068	1072-2.5	1075-7	68,857 lots

LME Closing £/$ rate:
SPOT: 1.5395 3 months: 1.5268 6 months: 1.5176 9 months: 1.5091

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	327.30-327.60	
Opening	327.90-328.40	
Morning fix	327.85	212.517
Afternoon fix	327.55	211.869
Day's high	328.40-328.70	
Day's low	326.90-327.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	1.27	6 months	2.10
2 months	1.43	12 months	2.41
3 months	1.54		

Silver fix	p/troy oz	US cts equiv
Spot	237.70	366.85
3 months	241.70	369.65
6 months	245.40	372.65
12 months	253.15	380.75

GOLD COINS

	$ price	£ equivalent
Krugerrand	328.00-331.00	211.00-213.00
Maple leaf	337.30-339.50	-
New Sovereign	78.00-81.00	50.00-52.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Feb	May	Feb	May
1200	43	77	6	17
1250	13	46	25	36
1300	2	35	64	64
Copper (Grade A)	**Calls**		**Puts**	
2100	134	155	6	27
2200	59	92	30	62
2300	17	68	88	117
Coffee	**Mar**	**May**	**Mar**	**May**
950	53	55	15	40
1000	26	42	39	57
1050	11	27	74	102
Cocoa	**Mar**	**May**	**Mar**	**May**
650	82	79	6	10
675	44	60	13	16
700	29	45	23	26
Brent Crude	**Mar**	**Apr**	**Mar**	**Apr**
1600			11	10
1650		18	21	18
1700			30	31

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	327.5	328.5	0	0
Feb	327.6	328.8	328.5	326.3
Mar	328.1	329.3	0	0
Apr	328.6	329.9	323.5	327.5
Jun	329.8	331.3	330.5	329.3
Aug	331.2	332.7	0	0
Oct	332.8	334.4	0	0
Dec	334.5	336.1	335.7	334.1
Feb	336.5	338.2	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	357.4	358.0	360.0	356.0
Apr	355.9	356.9	358.9	354.0
Jul	353.9	354.9	354.5	353.5
Oct	352.9	353.9	0	0
Jan	351.9	352.9	355.5	355.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	368.1	368.0	369.0	364.5
Feb	368.8	368.8	0	0
Mar	369.7	369.7	372.0	366.5
May	372.2	372.3	374.5	369.5
Jul	374.8	374.8	377.0	372.5
Sep	377.6	377.6	0	0
Dec	381.9	381.9	383.5	379.0
Jan	383.1	383.1	0	0
Mar	386.6	386.6	0	0
May	390.3	390.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	97.80	96.65	98.60	97.80
Feb	98.25	97.20	98.70	98.25
Mar	98.65	97.55	99.50	98.25
Apr	98.75	97.80	99.50	96.60
May	99.00	98.05	99.60	98.45
Jun	99.10	98.25	0	0
Jul	99.20	98 55	99 95	98.75
Aug	99.40	98.80	0	0
Sep	99.60	99.00	100.10	99.40

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Feb	18.33	18.38	18.64	18.26
Mar	18.52	18.56	19.00	18.48
Apr	18.70	18.73	19.17	18.68
May	18.87	18 88	19.25	18.87
Jun	19.00	19.01	19.36	19.00
Jul	19.10	19.08	19.45	19.10
Aug	19.30	19.13	19.45	19.21
Sep	19.28	19 18	19.51	19.28
Oct	19.52	19.22	19.52	19.42
Nov	19.53	19.24	19.53	19.51

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Feb	52.15	52.63	53.60	52.00
Mar	52.70	53.03	53.90	52.55
Apr	52.65	52.95	53.75	52.60
May	52.40	52.50	53.15	52.30
Jun	52.35	52.41	53.05	52.35
Jul	52.70	52.73	53.30	52.70
Aug	53.50	53.43	53.90	53.50
Sep	54.50	54.63	55.15	54.75
Oct	55.60	56.58	56.00	55.60
Nov	56.70	58.48	57.10	56.70

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	995	972	997	974
May	1015	995	1016	997
Jul	1038	1017	1039	1018
Sep	1062	1041	1053	1043
Dec	1090	1069	1080	1069
Mar	1117	1100	1117	1100
May	1142	1125	1126	1124
Jul	1164	1147	0	0
Sep	1187	1170	1167	1165
Dec	1217	1200	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	73.35	71.85	73.80	70.30
May	78.35	76.60	78.75	75.30
Jul	80.35	78.50	80.60	77.50
Sep	82.20	80.30	82.20	79.40
Dec	84.45	82.60	84.85	83.00
Mar	86.50	86.05	0	0
May	89.10	87.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.46	8.52	8.59	8.45
May	8.55	8.60	8.66	8.54
Jul	8.64	8.68	8.70	8.62
Oct	8.82	8.65	8.69	8.62
Mar	8.69	8.70	8.70	8.70
May	8.74	8.75	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	60.93	60.78	61.05	60.30
May	61.53	61.43	61.63	61.05
Jul	62.05	62.21	62.10	61.76
Oct	61.05	61.25	61.30	61.00
Dec	60.20	60.25	60.25	60.00
Mar	60.90	60.97	0	0
May	61.45	61.65	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	78.55	79.95	79.55	77.60
Mar	80.65	82.60	80.90	79.00
May	83.00	85.15	83.50	82.25
Jul	85.00	86.75	86.50	83.75
Sep	86.55	88.25	87.05	86.55
Nov	86.05	87.55	87.00	87.00
Jan	87.55	89.30	89 30	87.55
Mar	87.55	89.30	89.00	88.00
May	90.05	90.10	90.10	90.10

INDICES

REUTERS (Base:September 18 1931 = 100)

Jan 13	Jan 12	mnth ago	yr ago
1711.4	1698.3	1668.0	1602.4

DOW JONES (Base: Dec. 31 1974 = 100)

	Jan 12	Jan 11	mnth ago	yr ago
Spot	123.73	123.48	121.96	113.68
Futures	123.11	123.81	120.47	121.21

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	582/6	582/6	584/2	578/4
Mar	584/0	584/6	585/4	579/2
May	587/4	588/6	588/6	582/6
Jul	593/0	594/0	594/0	588/2
Aug	593/6	595/0	594/0	590/4
Sep	592/0	592/4	593/4	589/4
Nov	596/2	598/6	597/0	591/6
Jan	603/2	604/4	604/0	601/0
Mar	611/0	614/0	611/0	611/0
Jul	615/0	620/0	615/0	616/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	21.81	21.57	21.83	21.44
Mar	21.96	21.76	21.98	21.62
May	22.18	21.96	22.19	21.84
Jul	22.42	22.17	22.45	22.03
Aug	22.40	22.20	22.40	22.10
Sep	22.40	22.19	22.40	22.08
Oct	22.35	22.18	22.35	22.08
Dec	22.46	22.25	22.46	22.12

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	184.9	185.9	185.7	184.4
Mar	183.4	184.1	184.5	182.8
May	182.9	184.1	184.3	182.5
Jul	184.2	185.3	185.3	183.6
Aug	184.7	185.7	185.8	184.3
Sep	185.7	186.7	186.8	185.1
Oct	186.9	188.0	187.5	186.2
Dec	187.8	189.0	188.5	187.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	218/4	221/2	219/4	218/2
May	226/0	228/4	227/0	225/6
Jul	232/6	235/0	233/4	232/2
Sep	237/2	239/2	238/2	237/2
Dec	242/2	243/4	242/4	241/4
Mar	248/6	250/2	249/0	248/4
May	253/4	255/0	253/4	253/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	375/2	368/6	375/6	371/4
May	354/6	347/2	356/0	351/0
Jul	331/2	322/0	331/4	325/4
Sep	336/0	327/0	338/0	331/4
Dec	346/0	337/4	346/0	342/0
Mar	349/0	339/0	349/0	343/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	80.075	79.850	80.125	79.350
Apr	78.950	78.625	79.000	78.200
Jun	73.975	73.875	74.000	73.350
Aug	72.275	72.075	72.350	71.900
Oct	72.875	72.750	72.925	72.600
Dec	73.400	73.400	73.600	73.225
Feb	80.075	79.850	80.125	79.350

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	43.950	44.350	44.300	43.825
Apr	43.650	44.075	43.950	43.300
Jun	48.250	48.575	48.475	47.925
Jul	47.875	48.175	48.060	47.400
Aug	46.500	46.825	46.650	46.050
Oct	42.450	42.750	42.500	42.200
Dec	43.350	43.600	43.500	43.275
Feb	43.350	43.650	43.500	43.350
Apr	42.075	41.925	42.150	42.000

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	38.450	39.875	39.450	38.050
Mar	38.850	40.225	39.775	38.500
May	40.175	41.575	41.100	39.850
Jul	40.750	41.875	41.600	40.100
Aug	39.800	40.925	40.700	39.325

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Middle East tensions unsettle equities

By Steve Thompson

THE EQUITY market's concern about fund-raising via rights issues, the siphoning of cash into the gilt-edged market and worries about the UK Budget remained ever-present but played second fiddle yesterday in a market obsessed by the possibility of further conflict in the Middle East.

News late in the session that President Bush had sanctioned an air strike against Iraq and that allied aircraft were about to attack Iraqi installations swept through the City's dealing rooms, triggering a fresh decline in an already weak equity market. Official reports of the allied strike came after the market had closed.

At the finish the FT-SE 100 Index posted a 12.6 loss at 2,745.3, its seventh successive decline. Since reaching a record 2,861.5 on January 4, the first working day of the new year, the market has fallen 116.2 points, or 4.1 per cent.

The FT-SE Mid 250 Index, however, which substantially outperformed the 100 Index during the last quarter of 1992 and up until last week, was much steadier, ending only 2.8 easier at 2,876.3.

Dealers spoke of a much higher concentration of buying interest in the second-tier stocks compared with that in the FT-SE 100 constituents, a view borne out by the breakdown of yesterday's market turnover figures. Overall volume was a relatively high 652.7m shares, with activity in non-Footsie stocks accounting for business of 432.3m shares. Footsie turnover totalled 220.4m shares.

Dealers made a bold attempt to get the equity market moving ahead at the start of trading, taking the view that the straight-line fall of more than 100 points more than accounted for the spate of gloomy news in recent sessions.

"The institutions were definitely nibbling this morning, but only until lunchtime, when the future started to come under pressure," said a leading trader at one of the top UK securities houses. He added that the market's growing apprehension about the possibility of military conflict in Iraq unnerved fund managers.

But a general view in the market was that further military action in the Middle East would be short-lived.

The Footsie future continued to play a big role in determining the course of the cash market. "The future was under pressure all afternoon and being constantly tested on the downside," one dealer said.

Having risen more than 10 points during the first hour of trading, the Footsie began to falter and moved into negative territory around midday. The build-up of selling pressure reached its height in mid-afternoon, with the index down 17.2 at 2,740.7 before its late rally. Wall Street, some 20 points weaker at the opening, was staging a minor rally as London closed.

The retail sector, which outperformed the wider market immediately before and after the Christmas period, suffered another setback after disappointing trading news from Dixons and Body Shop and confirmation of market fears of poor trading at Alexon. Oil shares were roughly treated as crude oil prices slipped below $17 a barrel and leading brokers cut oil price forecasts.

The best individual performances in the Footsie 100 stocks came from the power generators amid suggestions that the long-awaited contract to supply British Coal was about to be signed.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	0	473	−2
ASDA Group	14,000	64¼	−1
Abbey National	1,800	382	−1
Albert Fisher	2,900	65	+1
Allied-Lyons	1,100	606	−12
Amstrad	476	23	
Anglian Water	185	480	+1
Argos	149	258	−6
Argyll Group	1,300	380	−2
Arjo Wiggins	3,400	150	−1
Ass. Brit. Foods	607	802	
Ass. Brit. Ports	105	360	+2
BAA	1,900	740	−1
BAT Inds.	1,000	874	+7
BET	1,500	94	−5
BICC	424	332	−1
BOC	368	736	+4
BP	6,100	237½	+½
BPB Inds.	2,100	185	−2
BT	5,800	386	−4
BT New	2,900	281	−4
BTR	3,400	544½	+½
Bank of Scotland	737	119	+2
Barclays	4,400	367	−5
Bass	1,900	588	−4
Beresford Int.	510	24½	
Blue Circle	1,900	194	+5
Booker	691	413	
Boots	2,700	497	+6
Bowater	886	458	+4
Brit. Aerospace	2,200	170	−6
British Airways	5,600	287	−1
British Gas	4,600	277	−3
British Land	4,500	182	−2
British Steel	1,800	80	
Bunzl	1,100	122	+1
Burmah Castrol	380	682	+1
Burton	4,200	75½	+½
Cable & Wire	1,300	692	−15
Cadbury Schweppes	1,100	449	−7
Calor Group	185	224	−3
Carlton Comms.	584	788	−13
Coats Viyella	1,400	216	−4

	Volume 000's	Closing Price	Day's change
Comm. Union	509	611	−9
Cookson	830	196	
Courtaulds	850	572½	−14½
Dalgety	185	481	
De La Rue	616	672	+1
Dixons	12,000	225	−19
Eastern Elect.	475	432	+4
East Midland Elect.	675	432	+3
Eng China Clays	1,500	436	+7
Enterprise Oil	807	489	−14
Eurotunnel Units	38	355	+10
FKI	880	108	
Fisons	1,200	238	+2
Forte	2,800	182	−5
Gen Accident	601	555	−5
General Elect.	2,400	287	−2
Glaxo	6,200	724	+1
Glynwed Int.	101	245	−1
Granada	1,000	356	+5
Grand Met.	1,300	424	
GUS A	280	1613	−37
GRE	665	166	−3
GKN	882	465	+5
Guinness	6,700	467	−6
HSBC (75p shs)	6,300	521½	−1½
Hammerson 'A'	82	252	−1
Hanson	8,500	238½	+1
Hanson Warrants	7,100	28¾	+1½
Harrisons Crosfield	1,300	150	−5
Hillsdown	6,000	143	+8
IMI	169	258	−1
ICI	1,100	1073	−14
Inchcape	477	584	+1
Kingfisher	1,300	554	−18
Kwik Save	561	766	+6
Ladbroke	2,800	188	−1
Land Securities	901	441	+1
Laporte	1,500	602	+7
Legal & General	1,100	428	−5
Lloyds Abbey	1,800	415	−12
Lloyds Bank	1,800	508	
LASMO	4,000	146	−4
London Elect.	405	442	+6

	Volume 000's	Closing Price	Day's change
Lonrho	1,300	72	−1
Lucas	3,200	149	+5
MB Caradon	471	294	
MEPC	288	428	
Manweb	338	506	+13
Marks & Spencer	4,500	314	−4
Midlands Elect.	1,000	477	+1
Morrison (Wm.)	1,400	166	+2
NFC	717	281	
NatWest Bank	3,600	386	−7
National Power	4,600	289	+8
Next	4,200	154	+1½
North West Water	987	475	
Northern Elect.	382	487	+4
Northern Foods	1,500	270	−8
Norweb	101	489	+12
Pearson	374	359	
P & O	1,000	511	−9
Pilkington	4,000	108	+2
PowerGen	5,100	289	+8½
Prudential	5,800	283½	−3½
RMC	198	587	+10
RTZ	1,900	636	−12
Racal	614	171	+2
Rank Org.	2,000	704	+3
Reckitt & Colman	870	630	−3
Redland	1,100	419	−3
Reed Intl.	863	626	+1
Rentokil	673	211	−1
Reuters	342	1367	−13
Rolls Royce	6,300	106	−2
Rothmans	100	615	−2
Ryl Bk Scotland	2,300	212	+1
Royal Insurance	2,800	276	+1
Saatchi	439	174	−2
Sainsbury	1,400	558	−1
Scottish & New.	817	440	
Scot. Hydro-Elect.	2,100	245	+1
Scottish Power	4,400	229	−2
Sears	8,500	99	−1
Sedgwick	798	170	−2
Seeboard	78	472	+8
Severn Trent Water	834	459	+3

	Volume 000's	Closing Price	Day's change
Shell Transport	3,300	529	−1
Siebe	1,500	440	+5
Slough Ests	629	162½	−½
Smith (W H) A	653	480	+1
Smith & Nephew	2,100	156½	−1½
SmKl Beecham	2,800	477	+2
SmKl Beecham Uts	1,400	418	+2
Smiths Inds.	143	374	−1
Southern Elect.	159	450	+4
South Wales Elect	292	529	+7
South West Water	274	432	+4
South West Elect.	119	485	+5
Southern Water	219	468	+2
Standard Chartd	561	586	
Storehouse	1,800	210	+5
Sun Alliance	1,500	336	−11
T&N	1,800	158	+1
TI Group	816	391	+6
TSB	5,000	146½	−2½
Tarmac	1,800	107	+1
Tate & Lyle	1,400	410	+2
Taylor Woodrow	1,000	69	+3
Tesco	4,700	264	−1
Thames Water	381	491	+1
Thorn EMI	1,500	849	+9
Tomkins	2,300	246	−3
Trafalgar House	1,000	87	+1½
Unigate	1,900	318	+4
Unilever	1,400	1064	+3
United Biscuits	1,100	388	+2
Utd. Newspapers	457	499	
Vodafone	1,500	399	−9
Warburg (SG)	307	552	+13
Wellcome	1,800	911	−2
Welsh Water	340	527	+3
Wessex Water	322	603	+4
Whitbread 'A'	1,700	468	−11
Williams Hldgs.	2,300	332	−8
Willis Corroon	565	182	−9
Wimpey	505	115	+6
Wolseley	1,500	540	−1
Yorkshire Elect.	977	495	+3
Yorkshire Water	826	527	−1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Jan 4	Jan 18	Feb 1
Option Declarations:		
Jan 14	Jan 28	Feb 11
Last Dealings:		
Jan 15	Jan 29	Feb 12
Account Day:		
Jan 25	Feb 8	Feb 22

*New time dealings may take place from 8.30am two business days earlier.

Gencos up on coal deal hope

SHARES IN the two main power generators surged as rumours returned that the new contract to supply the regional electricity companies had been signed. The deal is due to be tied up by April but the present government predicament over the fate of the UK mining industry has added spice to the terms of the contract, and how it will affect the generators' shares.

Before recent government hints that a subsidy may be given to coal production, some energy specialists were predicting that PowerGen and National Power would be able to provide about a 20 per cent dividend boost from the improved earnings growth this year. While some still hold this view, analysts are increasingly fearful that a subsidy on coal would not only limit earnings, but also add weight to the regulatory environment – with a Monopolies and Mergers Commission referral not ruled out – which in turn could impinge on profits.

Yesterday the mood was more positive on the likely outcome; PowerGen advanced 8¼ to 290p and National Power 8 to 289p. The regional companies were also generally strong, with Manweb ahead 13 at 506p, Norweb up 12 at 489p and Seeboard 8 higher at 472p, among the main movers.

Enterprise weakens

The after-effects of a US listing by Enterprise was said to be behind a sharp fall in the UK share price yesterday. The independent exploration and production company attempted to raise $150m (£98.6m) through an initial public offering of American Depositary Shares in October.

But a large chunk of the shares were left with the underwriters, who needed to offload them in the UK. Dealers said the stock was now overhanging the market and responsible for the underlying share price sliding 14 to 409p. Others suggested the shares might merely have been consolidating following a good run.

Courtaulds switch

Chemicals group Courtaulds tumbled 14½ to 572½p after US investment bank Lehman Brothers recommended switching out of the stock and into Laporte, which rose 7 to 602p ex-rights.

Lehman analyst Mr Martin Glen argued that Laporte's price/earnings ratio was some two points lower than Courtaulds' and it was more exposed to economic recovery in North America. Also, Laporte was higher yielding and had greater earnings growth potential. Laporte was supported by a number of other houses, including Hoare Govett, which argues that the company's offer last week for Evode (steady at 123p) was "shrewd and well timed".

Drugs bought

Pharmaceuticals stocks held against the trend as one leading securities house decided the tide was about to turn and became a strong buyer. The sector was marginally up on the day and leading issues resisted selling pressure.

Hoare Govett published an in-depth note entitled "Calling the Bottom", which argued that the sector presented a strong buying opportunity. Analyst Mr Nigel Barnes said the sector could drift more in the short term but on a 12-month view it was "extremely cheap".

The house particularly likes SmithKline Beecham and said an R & D presentation in Philadelphia in March will highlight new products. It is also buying Glaxo, Amersham International and London International. SmithKline firmed 2 to 477p and 418p in the Units. Glaxo was a penny higher at 724p, Amersham firm at 653p and LIG steady at 256p.

Dixons disappoint

The downward march in Dixons shares continued as the stores group revealed a decline in its US fortunes far worse than the market's expectations. While UK sales had held up well, particularly in the Christmas period, Dixons' US electrical retailing chain Silo produced further losses and deepening gloom among analysts. Dixons dropped 19 to 225p on exceptionally heavy turnover of 12m, the highest for around two years.

However, there were signs yesterday that the shares may soon find some support. Mr Andy Hughes, stores specialist at Nomura, moved from a sell to a buy, arguing that the fall had been overdone – the shares stood at 280p a week ago – and that they now looked good value. "Dixons is well placed for recovery and the UK sales picture is very encouraging." He added that the revival in the US economy should come to the aid of Silo.

Bears of the stock forecast further falls. Mr Tony Shiret at BZW predicted even worse losses in the US this year, despite Dixons' attempts to stem the tide with a series of store closures. "The shares are still too highly rated," he said.

There were other gloomy reports around the stores sector yesterday. The well-signalled trading statement from Alexon proved this week's bear raiders correct and the shares reacted accordingly, falling 8 to 68p. Warning of flat earnings, the group said it did "not anticipate recommending a final dividend."

Body Shop said UK sales in the pre-Christmas period were down 8 per cent. The shares slumped 15 to 153p. Profit forecasts were pulled in to a range of £19 to 22m, down about 10 per cent.

Rumours of downgradings in Great Universal Stores were heard. The shares have fallen around a pound in the last week, including 37 yesterday to close at 1613p. DIY worries and the continuing uncertainty over the strength of the recovery knocked Kingfisher, off 28 at 554p. However, Next again responded to talk that its sales remain firm, the shares adding 1½ at 154p.

Oil shares were lower in the face of continued weakness in the oil price. Spot and January Brent crude dipped below $17 per barrel, leading some analysts to cut price forecasts for the year. BZW analyst Mr Jeremy Elden cut his 1993 oil price forecast to $19.5 per barrel from $21, but said investors should buy oil shares if OPEC delivers production cuts.

Shell Transport touched 524p but closed a penny off at 529p while Lasmo fell 4 to 146p. British Petroleum was steady at 237½p although Morgan Stanley was last night contacting clients to say it had cut fourth-quarter earnings estimates. Analyst Mr Lars Reierson cut his forecast by £40m to £95m and said: "US buying has been based on over-optimistic earnings estimates. There will be little fundamental support in the UK for the shares until the yield is a lot closer to Shell's."

Vodafone declined 9 to 399p on talk of regulatory interest in the cellular market. Hoare Govett also turned seller of the stock, citing aggressive competition from Cellnet. Hoare also downgraded BT, the fully-paid losing 4 at 386p, and Cable and Wireless, 15 adrift at 692p, blaming UK recessionary effects.

Firm results from First Leisure sent the shares forward 7 to 327p. Championship prospects again lifted Manchester United, up 18 at 367p.

Bid speculation continued to circulate around Lucas Industries driving the shares forward 5 to 149p in trade of 2.9m. The Lucas warrants were also actively traded. Volume jumped to 2.3m as they hardened 2½ to 17½p.

Aero-engine manufacturer Rolls-Royce had a busy day. The shares fell 5½ early in the session after Smith New Court cut dividend expectations for the year to December 1992 by 2½ to 5p. Smith blamed the reduction on a lack of pick-up in the spares business, technical factors, and the weak aircraft market due to cancellations. Bargain hunters helped the shares recover to close 2 lighter at 106p.

Investors appreciated GKN's confirmation of plans for a new US plant, and the shares firmed 5 to 465p. Also in demand was Vickers, which 8 to 121p.

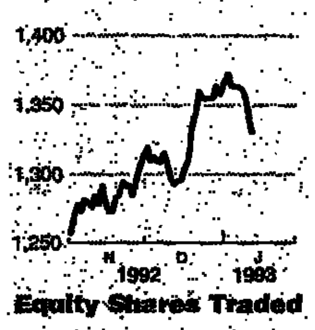
Public relations firm Shandwick performed well in percentage terms, rising 1½ to 15½p ahead of results on January 26. Shandwick is well geared for recovery in the US as it generates 50 per cent of profits there.

Talk of a Cazenove downgrade left Northern Foods down 8 at 270p.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo,
Peter John.

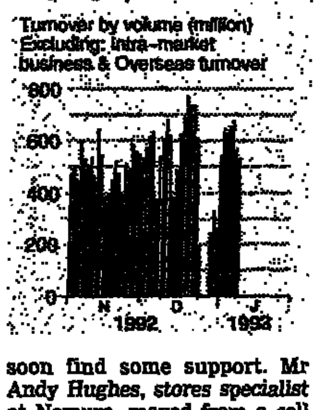
■ Other market statistics, Page 17

FT–A All–Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (71).
AMERICANS (2) Echlin, Time Warner, BUSINESS SERVS (4) BPP, Barbour Index, Johnson Cleaners, Serco, CHEMS (2) Evode 7p Pf., Halstead (J), CONGLOMERATES (2) Bodycote, Hanson 9½pc Cv., CONTG & CONSTRCN (2) Abbey, NSM, ELECTRICALS (2) Kenwood Appliances, Scholes, ELECTRICITY (1) Southern, ELECTRONICS (3) Admiral, Kode, Scantronic, ENG GEN (2) TT, Vosper, FOOD RETAILING (1) Nurdin & Peacock, HEALTH & HSEHOLD (4) Mayborn, Takare, Tamaris, UniChem, HOTELS & LEIS (2) Compass, Manchester Utd., INSCE BROKERS (1) Berry Birch, INSCE LIFE (1) Transatlantic, INV TRUSTS (12) Abtrust New Dawn B Wts., Drayton Blue Chip Zero Pf., EFM Dragon Wts '05, Flmg. Emrg. Mkts. Wts., Gartmore Emrg. Pacific, Henderson Strats, Martin Intl. Green, Mazzanine Cap. & Inc., Murray Split Cap. Units, Siam Selective Gwth., Thai Euro. Fund, Value & Inc., MEDIA (7) Abbott Mead Vickers, Carlton Comms., Central ITV, Dorling Kindersley, Sterling Publs., TVS Ents., Do 7.4pc Prf. '08, MERCHANT BANKS (2) Close Bros., Rea Bros., MTL & MTL FORMING (1) Ferraris, MISC (6) Alumasc, Chemring, LGW, Lincoln House, Nobo, Portmeirion Potts., MOTORS (1) Burndene, OIL & GAS (3) Kelt Energy, NZ Oil, Sidlaw, PACKG, PAPER & PRINTG (3) Bemrose, Filofax, MY, PROP (1) London Merchant 7½pc Cv. '00-05, STORES (2) Next, Storehouse, TEXTS (2) Celestion, Lyles (S), TRANSPORT (1) Dawsongroup, WATER (1) East Surrey
NEW LOWS (19).
CANADIANS (2) Brascan, Gulf Canada, BREWERS (2) Guinness, Invergordon, ELECTRONICS (1) Borland, ENG GEN (1) Fite Indmar, FOOD RETAILING (1) Appleby Westward, INV TRUSTS (3) Gartmore Scot Inc., German Smllr. Co's Wts., TR European Grth. Pfg. Subs., MISC (1) Hornby, OIL & GAS (1) Ranger, OTHER FINCL (1) East German Inv., PACKG, PAPER & PRINTG (1) Esselte, PROP (3) Harring Baker Harris, High-Point, Olives, STORES (1) Alexon, MINES (1) Joel (HJ).

FINANCIAL TIMES EQUITY INDICES

	Jan 13	Jan 12	Jan 11	Jan 8	Jan 7	Year ago	High	Low
Ordinary share	2129.6	2137.0	2150.3	2176.8	2193.3	1940.6	2209.9	1670.0
Ord. div. yield	4.42	4.40	4.36	4.32	4.29	4.68	5.34	4.23
Earning yld % full	6.07	6.04	5.99	5.93	5.89	7.01	-	-
P/E ratio net	21.02	21.11	21.29	21.49	21.67	17.92	21.93	15.79
P/E ratio nil	19.42	19.50	19.67	19.86	20.01	16.91	-	-
Gold Mines	60.9	61.3	62.4	61.9	62.2	158.9	160.6	60.4

*for 1992/93. Ordinary share index since compilation: high 2209.9 4/1/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2138.5	2148.2	2143.8	2145.5	2137.8	2132.8	2133.5	2134.9	2127.7	2149.0	2126.8

Volume	Jan 13	Jan 12	Jan 11	Jan 8	Jan 7	Year ago
SEAQ Bargains	26,741	26,877	31,105	31,825	31,524	32,079
Equity Turnover(£m)†	-	1070.6	1294.5	1492.3	1369.4	1207.5
Equity Bargains†	-	30,332	35,969	35,479	35,377	32,605
Shares traded (ml)†	-	534.3	564.1	680.2	660.6	548.2

† Excluding intra-market business and overseas turnover.

London report and latest Share index
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EQUITY FUTURES AND OPTIONS TRADING

THE EARLY strength in stock index futures petered out as worries over the worsening situation in the Middle East took hold once again leading to a poor market close, writes Joel Kibazo.

Having opened just ahead of Tuesday's close, good buying activity led to an advance in the March contract and within half an hour of the market's opening it was trading at around 2,770, leading the underlying cash market higher.

However economic worries coupled with vague the then talk of military action in the Middle East led to a gentle retreat in March, and in the cash market. It continued drifting lower as speculation about the situation in the Gulf strengthened, and the contract fell to the day's low of 2,755 at around 3.30pm.

Bargain hunters were seen at the close and March finished at 2,763, down 11 on its previous close and around 7 ahead of its fair value premium to cash of about 14. Turnover was 8,567 lots.

Most of the activity in the traded options continued to centre on the index options which expire tomorrow. The FT-SE 100 option accounted for 8,822 lots of the market's total volume of 32,734 contracts, while the Euro FT-SE traded 3,965 lots. Dixons, which reported figures yesterday was the busiest stock option with 1,946 trades and was followed by Hillsdown 1,881.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2745.3 −12.6	2876.3 −2.8	1331.18 −4.99

	Jan 13	Day's change %	Jan 12	Jan 11	Jan 8	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
FT-SE 100	2745.3	−0.5	2757.9	2773.4	2799.2	2537.1	6.77	4.42	18.60	2.44
FT-SE Mid 250	2876.3	−0.1	2879.1	2889.9	2932.7	2408.1	6.70	4.50	19.05	2.81
FT-SE-A 350	1350.7	−0.4	1355.9	1363.0	1377.2	1222.8	6.75	4.44	18.69	1.22
FT-SE SmallCap	1408.81	−0.2	1411.36	1413.55	1419.18	–	–	4.55	–	0.81
FT-SE SmallCap ex Inv Trusts	1416.89	−0.2	1419.57	1422.34	1427.91	–	6.44	4.80	21.90	0.83
FT-A ALL-SHARE	1331.18	−0.4	1336.17	1342.90	1356.35	1208.07	–	4.44	–	1.18
1 CAPITAL GOODS(211)	869.89	−0.1	870.92	881.03	894.12	762.22	6.48	4.95	20.22	1.00
2 Building Materials(27)	887.39	+0.5	882.69	898.87	920.11	897.96	5.76	6.08	24.74	0.30
3 Contracting, Construction(29)	729.30	+0.5	725.73	734.45	745.23	836.43	3.52	6.67	88.13	0.20
4 Electricals(14)	2533.89	−0.3	2542.52	2537.79	2562.56	2433.47	6.36	5.72	20.64	0.00
5 Electronics(35)	2305.22	−0.5	2317.09	2339.47	2358.97	1683.74	6.70	3.69	18.94	13.04
6 Engineering-Aerospace(7)	294.58	−1.5	299.15	307.80	314.80	346.41	12.02	7.96	10.60	0.00
7 Engineering-General(52)	521.05	+0.2	519.76	522.01	533.97	475.19	7.78	4.57	16.43	0.27
8 Metals & Metal Forming(11)	327.03	−0.2	327.54	330.80	336.19	310.76	5.33	4.04	27.28	0.14
9 Motors(18)	389.81	+0.9	386.15	385.83	392.97	287.21	5.06	6.01	29.14	0.00
10 Other Industrials(16)	1959.27	−0.5	1968.99	1996.84	2015.75	1585.68	6.35	4.34	19.13	0.39
21 CONSUMER GROUP(232)	1699.43	−0.4	1706.05	1719.86	1734.81	1646.08	6.87	3.46	18.11	2.20
22 Brewers and Distillers(28)	1946.35	−1.0	1966.20	1994.13	2011.98	2047.90	8.59	3.90	14.09	10.09
25 Food Manufacturing(22)	1323.45	—	1323.47	1332.12	1358.99	1246.37	7.95	3.94	15.72	0.04
26 Food Retailing(18)	3321.07	−0.2	3327.21	3339.77	3374.53	2415.21	7.77	3.06	16.75	0.00
27 Health & Household(29)	4025.25	+0.1	4020.56	4062.14	4056.15	4649.21	5.53	2.81	21.06	0.00
29 Hotels and Leisure(20)	1288.90	+0.3	1285.24	1304.62	1319.23	1236.63	6.53	5.35	20.12	6.19
30 Media(33)	1815.83	−0.4	1823.51	1822.44	1834.75	1458.03	5.49	2.86	22.74	0.94
31 Packaging and Paper(23)	786.54	+0.1	785.95	789.65	798.09	785.66	6.78	4.13	18.22	0.00
34 Stores(39)	1102.94	−1.3	1117.09	1123.44	1139.15	988.71	6.54	3.29	20.31	0.36
35 Textiles(20)	750.61	−0.8	756.54	758.15	769.43	595.23	6.56	4.23	19.30	0.00
40 OTHER GROUPS(143)	1425.23	−0.3	1428.92	1429.43	1441.08	1203.79	8.59	4.87	14.34	1.21
41 Business Services(27)	1546.36	−0.5	1554.22	1551.45	1562.28	1438.50	5.78	3.33	21.33	0.04
42 Chemicals(24)	1420.38	−0.8	1432.10	1444.40	1450.11	1416.26	6.45	5.15	19.53	0.20
43 Conglomerates(11)	1401.56	−0.2	1403.77	1395.81	1419.05	1324.00	7.59	7.64	15.04	0.00
44 Transport(16)	2698.55	−0.3	2706.59	2715.09	2757.25	2392.77	8.35	4.40	14.40	1.04
45 Electricity(16)	1578.75	+1.4	1557.06	1552.91	1555.20	1150.19	13.73	4.81	9.36	3.34
46 Telephone Networks(4)	1624.69	−1.4	1647.26	1646.21	1657.87	1393.18	8.20	4.21	15.85	1.56
47 Water(13)	3256.96	+0.3	3247.57	3251.90	3277.98	2253.22	14.03	5.44	7.92	11.83
48 Miscellaneous(32)	2461.71	+0.4	2452.66	2456.97	2476.69	1861.54	5.83	4.17	27.21	0.12
49 INDUSTRIAL GROUP(586)	1407.54	−0.3	1411.73	1420.33	1433.97	1281.60	7.38	4.20	16.91	1.57
51 Oil & Gas(18)	2133.11	−0.6	2144.92	2151.60	2183.58	2195.22	6.26	6.08	21.00	0.00
59 "500" SHARE INDEX(604)	1477.65	−0.3	1482.42	1491.03	1506.12	1363.29	7.27	4.39	17.24	1.49
61 FINANCIAL GROUP(89)	868.79	−0.7	875.35	876.71	885.33	707.97	–	5.06	–	0.08
62 Banks(9)	1183.93	−0.6	1191.14	1190.27	1198.20	844.14	5.10	4.71	29.68	0.00
65 Insurance (Life)(6)	1724.99	−1.2	1745.97	1754.34	1778.84	1424.90	–	5.27	–	0.00
66 Insurance (Composite)(7)	624.17	−1.6	634.01	635.28	650.50	498.92	–	4.83	–	0.00
67 Insurance Brokers(10)	776.81	−2.0	792.66	798.89	805.01	992.95	7.80	6.87	17.22	0.00
68 Merchant Banks(6)	516.13	+1.2	509.76	505.48	512.21	450.68	–	4.43	–	0.00
69 Property(28)	640.50	−0.1	640.91	645.71	646.16	765.07	8.76	5.61	14.77	0.62
70 Other Financial(25)	297.66	−1.0	300.70	304.49	307.47	234.38	7.28	5.70	18.08	0.05
71 Investment Trusts(107)	1321.46	−0.1	1322.68	1321.21	1331.54	1192.91	–	3.18	–	1.56
99 FT-A ALL-SHARE(800)	1331.18	−0.4	1336.17	1342.90	1356.35	1208.07	–	4.44	–	1.18

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2759.7	2766.5	2763.3	2760.1	2754.4	2748.4	2749.2	2750.1	2742.8	2768.3	2740.7
FT-SE Mid 250	2879.6	2883.3	2883.2	2886.0	2881.0	2880.5	2880.8	2880.9	2875.7	2887.4	2875.1
FT-SE-A 350	1356.6	1359.6	1358.4	1357.4	1354.7	1352.4	1352.7	1353.0	1349.7	1360.3	1348.8

Gross dividend yield (ACT at 25%) FT-SE 100:4.42%

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Construction	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Health & H	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. [illegible] The FT-SE Actuaries Share Indices are audited by The WM Company.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or −	1992/93 high	low	Yield Int.
"Shorts" (Lives up to Five Years)						
Treas 8¼pc 1993		100⅛xd	—	100⅞	97⅞	8.24
10pc 1993‡‡		100¾	—	101⅞	99⅛	9.93
12½pc 1993‡‡		102⅞	−⅛	104⅛	100⅞	12.14
Funding 6pc 1993‡‡		99⅞	—	100	95⅛	6.01
Treas 13¾pc 1993‡‡		105⅜	—	107⅞	103⅜	12.88
[illegible]						

Continued on next page

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or –	1992/93 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	h	18¼xd	–¼	21¼	14⅝	15,273	2.1
Allegheny & W	♥	423p	—	454p	226p	219.8	4.6
Amdahl		446p	–5	1189p	438p	508.9	1.4
Amer Cyanamid		39⅝	+¾	39⅝	28⅝	3,382	2.8
Amer Express		16⅞xd	+⅛	19⅞	10⅞	7,737	3.9
Amer T & T		33⅝xd	+⅛	34½	20⅛	44,385	2.5
AmerTech		47⅛	+⅞	47½	32½	20,698	4.9
BankAmerica		29½xd	+¾	31⅞	19⅛	16,164	2.8
Bankers NY		44½xd	+⅝	46⅛	28¾	3,941	4.5
Bell Atlantic		33	+⅝	34⅝	23⅛	14,248	5.0
BellSouth		34⅛	+	35⅛	25	16,846	5.2
Bethlehem Steel	♥	10⅛xd	+¼	10⅞	5¾	927.2	–
Bowater		1485pxd	+21	1637p	905p	598.1	5.1
CPC	h	30⅛xd	—	34	22⅛	4,657	2.5
Cadiz Land Inc	♥	115p	—	342p	108p	–	–
California Engy		1096p	—	1096p	591p	198.5	–
Chase Manhattan		17⅞xd	–⅛	19½	9⅛	2,869	4.2
Chrysler		22⅞xd	–⅛	23⅛	8⅛	6,570	1.7
Citicorp		13⅞xd	+⅛	14¼	5⅛	5,069	–
Colgate-Palm		35⅞xd	+⅝	43⅛	25¼	5,729	2.2
Cont'l Bank		1331p	+11	1444p	498p	1,345	2.8
Dana		31¼xd	+⅛	31⅞	14⅞	1,433	3.2
Data General		776p	–1	1094p	384p	215.0	–
Decora Inds	♥	146p	—	146p	68p	–	–
Dun & Brad		37¾	—	39⅞	27⅞	6,785	3.8
Eaton		51¾	–⅛	54½	32½	1,780	2.7
Echlin		15⅞xd	+⅛	15⅞	7⅞	906.3	2.8
FPL		23⅝xd	+⅛	24⅛	17⅞	4,292	6.5
Ford Motor		28½xd	+⅜	28⅞	15	14,189	2.2
Gen Elect		56⅛xd	–⅛	57⅞	36¾	47,078	2.9
General Host	♥	576p	–15	611p	360p	–	3.9
Gillette		38⅞xd	+⅛	40	23⅞	7,868	1.2
Hasbro		20⅞	—	23½	12⅞	1,812	0.6
Honeywell	h	21⅞xc	+⅛	22⅞	16	6,075	2.6
Houston Inds		29⅛	+⅛	30⅞	22	3,804	6.4
IBM		28⅝	–2⅞	54½	28⅝	16,907	10.3
Ingersoll-Rand		28xd	–⅛	21	12⅞	2,089	2.2
Lockheed		35⅞	+⅛	37¾	22⅛	2,281	3.7
Lowe's	h	1623p	+30	1669p	815½p	1,184	1.1
Merrill Lynch		39¾xd	+1	40⅝	24⅛	3,982	2.0

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

	Notes	Price	+ or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's
[illegible]							
Glencar Expl IE	†‡	8	—	16	6	1.48	–
Greenwich Res	□	6¼	—	11	2	3.86	–
Henlo Gold C$		£23⅝	—	£25½	£23⅝	349.5	2.8
Ivernia West IE	†‡□	38	—	53	30	18.1	–
Kells Mins IE	††	8	—	42	8	0.19	–
Kenmare	✻□	7	–¼	8	2¼	6.72	–
Mallaga Res		18½	+1	48	8	2.04	–
Navan Res IE	♣	25	–1	34	16	3.35	–
5pc Ln Notes		25	–1	28	25	4.55	–
Oryx Gold		47⅛	—	103	46¾	–	–
Plateau		3½	—	13	3	1.37	–
RTZ	□	636	–12	688	469	6,379	4.1
Vizcaya	✻	3	—	3	1	1.61	–

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ϕ Figures or report awaited
- ♦ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✻ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other offical estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0544, quoting the code FT2758. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

FT Cityline

Real time share prices and other stock market information is available through the FT Cityline International telephone service.
Annual subscription £250.00 stg.
Call +44 71-925 2128 for more details.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin. 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries. 0277 227300 Dealing: 0277 261010						
European	5	100 00	100 00	105 00		1 00
Intl Bond & Conv	5	118.40	118 80	125 00	+0.20	5.78
Pooled Pension ♦	7	143 7	147 6	157 9	-2 1	-
Smaller Cos	5	57 64	59 41	62.54	-0 23	2.17
UK General	5	112.70	114 50	120 50	-0 60	2 98
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	370 16	370 16	392 37	-1 14	5 26
Global Inc	5	52 92	52 92	56 10	+0 25	4 33
Brit Leaders	5	307 87	307 87	326.34	-1 09	3 13
Intl Leaders	5	168 8	168.8	178 93	+0 9	1 83
F Am Mon Bd Gwth Inc ♦	3¼	49 78	51.03	53.02	-0 08	3 21
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	46.60	46 67	49 65	+0 19	1 70
Far Eastern Tst	6	51.88	52.64	56 00	+0.06	0 88
Smaller Cos	5	129 5	134.3xd	142.9	...	2 96
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS. 071-637 5377						
S & W American ♦	5	256.4	256 9xd	271 8	-1 10	1.04
S & W Capital	5	108.2	108 2	116 0	+0 2	2 01
S & W Cash ♦	0	101.95	101 95	101 95	+0 02	6 67
S & W European	5	104.2	104.4	110.4	+0 6	1 08
S & W Far Eastern	5	106.5	106.6	112 7	+0 6	0 00
S & W Growth	5	115.7	117.2	124 0	-0 1	1 58
S & W Income	5	103 4	104 7	110 8	-0.1	5 60
S & W Magnum	5	114 1	114 1	122.4	+0 3	1 95
S & W Smllr Secs	5	273 7	279.5	295 7	-1.2	0 74
S & W Thoroughbred	5	131 7	131 7	141 3	+0 3	1 83
Societe Generale Touche Remnant (1200)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						
American Gwth	5¼	76.74	76 74	82 07	+0 34	0
Eur Sp Sits Acc	5¼	39 96	39.96	42.45	+0 15	0
Eur Sp Sits Inc	5¼	37 74	37 74	40 10	+0 15	0
Far East Opps Inc	5¼	25 85	25.85xd	27 93	+0 28	0
Far East Opps Acc	5¼	26 56	26.56	28.63	+0 28	0

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2¼	87 16	87 16	89 19	+0 42	0 00
Short Dtd Gilt	1¼	107 0	107 0	108 4	-0 10	4 47
U S Govmt Bond	1¼	0 7051	0 7051	0 7143		0 00
Gilt Income	4	50 49	50 49xd	52 54	-0 09	8.69
Gilt Growth	4	62 88	62 88xd	65.44	-0 10	0.00
Cnty Reserve	0	51 92	51 92xd	51 93	+0 01	6 92
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 388046						
Stockmarket Fd F	5	62.96	63.21	67.24	-0 40	2 36

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Exmpt Jan 6	631.5	651.2		1 07
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071 214 1050 (general enquiries) 071 214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	51 95	53 85	-0 40	4 8
Income Plus	48 70	49 68	-0 26	7 5
James Capel Fund Managers Ltd				
European Exempt	97 6065	98.5633	+0.3096	1 82
Japanese Exempt	98 6583	100 067	-0 633	-
Managed Exempt	120 737	127 524d	-0.192	3.84
North American Exempt	96 3408	97 5531	+1.0242	1 23
Pacific Exempt	97 726	100 396	+0 9291	-
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Dec 31	582 50	586 60	..	5.08
Fxd Int Sec Dec 31.	151 95	152.70	...	9 50
Deposit Fund See Money Market Trust Funds				

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Prolific Life & Pensions Ltd

Stramongate, Kendal, Cumbria LA9 4UB 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Grwth Mngd.	644.6	685.8	-0.2	-
Adventurous Mngd	154.3	164.2	+0.5	-
Cautious Mngd.	122.7	130.6	....	-
Cash Fd.	316.1	333.1		-
Property Fund	216.1	229.9	....	-
Equity Fund	729.0	775.6	+0.2	-
Fxd Int. Fund	402.9	424.6	-0.1	-
International	321.6	342.2	.....	-
High Income	578.7	615.7	.....	-
Far East	424.0	451.1	+2.8	-
North American	433.9	461.6	+2.1	-
Special Sits.	536.8	571.1	-0.5	-
Technology	444.4	472.8	-0.9	-
Extra Inc Fd.	315.7	335.9	+0.3	-
Convertible & Gilt Fd	152.0	161.8	+0.6	-
American Income	173.8	184.9	+1.0	-
Gilt Fund 20	435.9	463.8	-0.2	-
European Fund	113.4	120.7	+0.2	-
Pref & Fixed Int.	110.5	117.6	+0.3	-
UK Blue Chip	115.5	121.8	-0.4	-
Recovery Fund	112.0	118.1	-0.3	-
Equity Income Dist.	103.8	110.5	+0.2	5.03
Managed Dist.	99.0	105.4	+0.2	5.68
High Yield Dist.	101.5	107.0	....	8.62
Pension Funds				
Balncd Grth Mngd Pens Acc.	746.5	785.8	-0.1	-
Adventurous Mngd Pens Acc.	161.5	170.0	+0.6	-
Cautious Mngd Pens Acc.	141.2	148.7	-0.1	-
Building Soc. Acc.	364.3	383.5	....	-
Property Pens. Acc.	294.2	309.7	....	-
Fix. Int. Pens. Acc.	633.6	667.0	-0.3	-
Equity Pens Acc.	936.1	985.4	+0.9	-
International Pens Acc.	296.6	312.3	+0.6	-
High Inc Pens Acc	649.2	683.4	+1.3	-
Tech Pens Acc.	311.5	327.9	-0.8	-
N American Pens Acc.	330.2	347.6	+2.7	-
Far Eastern Pens Acc.	425.4	447.8	+3.1	-
Special Sits Pens Acc	440.3	463.5	-0.4	-
Extra Income Pens Fd	385.5	405.8	....	-
Convertible & Gilt Pen.	184.7	194.5	+1.2	-
American Inc Pens	197.6	208.0	....	-
European Pens	125.3	131.9	+0.1	-
Managed Cash Pens	171.4	180.5	.....	-
Pref & Fixed Pens.	128.6	135.4	+0.4	-
UK Blue Chip	122.2	128.7	-0.5	-
Recovery Fund.	119.5	125.8	-0.4	-
Unitised With Profits Pen.	108.0	113.7	....	-
Other Funds				
Margett Growth	117.0	123.2	-0.4	-
Margett Income	119.5	125.8	-0.4	-
Margett Pension	127.2	133.9	-0.6	-
NCH Managed	-	-	-	-
B&B Select Mngd.	104.1	109.6	+109.6	-
JNJ Managed Pension	122.8	129.3	-0.7	-
IAS Managed	114.1	120.2	....	-
Yorkshire Retirement P'folio	105.6	111.2	-0.2	-
FTC Prosperity	150.1	158.1	-0.8	-
Cap Retirement P'folio.	130.9	137.8	-0.5	-
Pembroke Intl.	92.1	97.0	+0.5	-
Marsh Retirement Portfolio	98.2	103.4	-0.1	-
IAS Pension Managed	138.3	145.6	....	-
Capital Income & Growth	113.3	119.3	-0.5	-
Map Balanced Asset	107.3	113.0	+0.1	-
Countrywide Managed Pens	101.6	107.0	-0.2	-
Invest Bureau Inc & Grth.	102.1	107.5	-0.1	-
Yorkshire Retirement P'folio 2	102.7	108.2	-0.2	-

Reliance Mutual

Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or -	Yield Gross
Deposit Acc Fd.	168.2	177.1	+0.1	-
Equity Acc Fd.	395.0	415.8	-0.1	-
Managed Acc Fd	351.2	369.7	...	-
Prop Fd (1st Issue)	-	624.1	...	-
Prop Acc Fd (2nd Iss)	120.2	126.5	...	-
Unit Trust Mn. Fd.	160.3	168.7	.	-
RL Pension Funds				
Deposit Acc.	244.1	256.9	...	-
Equity Acc.	292.5	307.9	+0.1	-
Fixed Int Acc.	245.0	257.8	.....	-
Gilt Indx Lnk Acc.	184.7	194.5	...	-
Managed Acc.	387.3	407.7	...	-

J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester

Telephone: 0285 640302 Helpline: 041 307 6500

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
JRA/M&G Managed	112.6	118.6	....	-
JRA/Scottish Amicable Mngd	109.3	115.1	.....	-
JRA/St James's Place Mngd	113.6	119.6	+0.60	-
Deposit	100.3	105.6	.....	-
Far East	110.1	115.9	-0.80	-
Gilts	104.5	110.0	-0.10	-
Greater European	107.6	113.3	+0.80	-
North American	126.8	133.5	+1.40	-
UK Equity	114.0	120.0	...	-
Pension Funds				
JRA/M&G Managed cap	110.4	116.3	....	-
JRA/M&G Managed acc.	114.2	120.3	....	-
JRA/Scottish Amicable Mngd cap	107.6	113.3	-0.30	-
JRA/Scottish Amicable Mngd acc	111.2	117.1	-0.30	-
JRA/St James's Pl Mngd cap	116.6	122.8	+0.60	-
JRA/St James's Pl Mngd acc	120.6	127.0	+0.60	-
Deposit cap.	100.1	105.4	...	-
Deposit acc.	103.5	109.0	...	-
Far East cap.	105.8	111.4	-1.00	-
Far East acc.	109.4	115.2	-0.90	-
Gilts cap	102.2	107.6	.....	-
Gilts acc	105.7	111.3	....	-
Greater European cap.	106.8	112.5	+0.80	-
Greater European acc.	110.5	116.4	+0.90	-
North American cap.	126.9	133.6	+1.60	-
North American acc.	131.2	138.2	+1.70	-
UK Equity cap.	112.4	118.4	+0.40	-
UK Equity acc.	116.2	122.4	-0.50	-

Royal Heritage Life Assurance Ltd

Peterborough Business Pk, PE2 6GG 0733 390000

	Bid Price	Offer Price	+ or -	Yield Gross
Multi Grwth		593.8	....	-
Multi Grwth A Cap	388.1	408.5	..	-
Multi Grwth A Accum.	593.8	625.1	....	-
Op Prop	407.1	428.6	+0.1	-
Op Equity	840.1	884.4	+1.5	-
Op High Yld.	498.8	525.1	-0.4	-
Op Man	664.4	699.4	+0.7	-
Op Dep.	369.2	388.7	.....	-
Op Inc Dist.	198.2	208.7	-0.2	-
Op Itl Man.	354.4	373.1	+1.5	-
Op Emerging Co's	360.6	379.6	-2.5	-
Op Money	102.8	108.3	....	-
European	94.7	99.7	...	-
Pension Funds				
Property Ser B	754.7	794.5	+0.1	-
Equity Ser B.	2543.5	2677.4	-7.7	-
Fixed Interest Ser B	939.9	989.4	-0.7	-
Managed Ser B	1265.2	1331.8	-1.1	-
Deposit Ser B	779.0	820.0	.....	-
Money Ser B.	102.5	107.9		-
Property Ser D		197.1	+0.1	-
Equity Ser D		174.9	-0.5	-
Fixed Interest Ser D		237.1	-0.2	-
Managed Ser D		164.6	-0.2	-
Deposit Ser D		235.0	.....	-
Money Ser D		109.6	.....	-
Pension Unit Trust Funds				
Gartmore Global Ser B.	200.6	211.2	-1.2	-
Gartmore NA Ser B	138.0	145.3	-1.1	-
Gartmore Pacific Ser B	346.5	364.8	-1.4	-

Prosperity Life Assurance Ltd

1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690955

	Bid Price	Offer Price	+ or -	Yield Gross
Initial Equity	157.0	165.5	-1.0	-
Accum Equity.	237.5	250.5	-1.5	-
Accum Managed	246.5	260.0	-0.5	-
Accum Five Star.	174.5	184.0	.....	-
Accum World.	132.5	140.0		-
Accum Emerg Mkts	201.0	212.0	+1.0	-
Pens Acc Equity	264.0	278.5	-1.5	-
Pens Acc Managed	319.5	337.0		-
Pens Acc Emerg Mkts	231.0	243.5	+1.5	-
Pens Acc Deposit	231.0	243.5	+0.5	-
Pens Acc Five Star.	191.5	202.5	+0.5	-

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Asst. Assn.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group – Contd.

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Target Life Assurance Co Ltd

TSB Life Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assce Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Life

Equitable Life (International)

Eurolife Assurance Group

Finsco International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

PanEuroLife

Providence Capital International

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or -	Yield Gross
John Govett Management (IoM) Ltd				
Dllr Geared Curr NAV Jan 8	$17.38		....	-
Paragon Pfsr. Red Jan 4	£9.99		.	-
Paragon Stlg Red Jan 4	£11.32			-
SE Japan Wnt NAV Jan 7	$9.51		....	-
Govett Mgd Ftsr Jan 8	£14.35	15.70	.	-
Govett Mngd Ftrs Jan 8	$10.15	11.11	...	-
Max Horizons Inv Jan 7	$15.87			-
Max Horizons Inv Wts Jan 7	$8.00		.	-
Dllr Geared Bd Jan 8	$7.30		..	-
IBI Global Funds Limited				
Intl Stlg Gwth	£20.59	21.68	-0.29	-
Intl $US Gwth	$17.75	18.70	-0.08	-
High Income Gilt	£26.06	27.02		-
International Equity	£20.84	21.95	-0.28	-
International Bond	£22.94	23.37	-0.11	-
Managed Currency	£27.64	27.93	+0.01	-
Sterling Currency	£26.63	26.91	+0.03	-
US$ Currency	$37.82	38.21	+0.02	-
Irish £ Currency	I£15.39	15.56	+0.04	-
R & H Fund Managers Ltd				
LPM Sterling Fd	£11.06	11.52	....	-
B.F. Offshore Inv Fd Ltd.	£11.75	12.25		-
Target International (Isle of Man) Ltd				
TMIC Offshore Fd	£9.45	10.23	.....	-
	£10.24	10.49	.....	-

JERSEY (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey 0534 36633						
AIB Currency Funds Ltd						
Intl Managed Bond	5		I£-21.1330	21.1402	+0.029	-
Managed Capital Bd	5		I£-21.4092	21.4340	+0.0001	-
AIB Grofund Currency Fund Limited						
Stlg Mngd Currency	5		£-	11.0017	+0.028	-
Sterling Currency Fd	5		£-	10.6115	+0.021	-
Ecu Currency	5		Ecu-	11.0064	+0.006	-
US Dollar Mngd Curr	5		$-	21.6554	+0.962	-
Barclays International Funds						
PO Box 152, St Helier, Jersey CI 0534 67888						

	Bid Price	Offer Price	+ or -	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloyds Intl World Inv Port.	£2.470	2.594		1.32
Dealing Weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9.72	9.77	-0.01	9.62
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Jan 7	$13.44	13.72		2.92
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income (z)	53.7	56.0		8.03
UK Equity Fd (z)	221.6	236.0	-0.02	2.71
*Intl Bond Fd	97.0	100.0		7.07
*Sterling Mngd Asset Fd	548.0	577.0	-0.12	5.00
*Sub day every Thurs				
NatWest TrustCor Currency Fund (z)				
Dollar Class	$38.2478		-0.0082	-
Sterling Class	£27.0671		+0.0046	-
D-Mark Class	DM84.0811		+0.0150	-
Japanese Yen Class	Y7981.5182		+2.7170	-
Ashburton Replica Portfolio Ltd				
Ashburton Replica P'folio Ltd £	£11.19	11.63	-0.06	-
Ashburton Replica P'folio US$	$10.37	10.76	+0.11	-
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Jan 7	$33.72	35.87		-
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Gwth Fd	$3.7766	4.0134	...	-
Offshore Japanese Gwth Fd	$0.9117	0.9689	.....	-
Offshore Am Gwth Fd	$6.5388	6.9488		-
Offshore Emerging Cos.	$3.9541	4.2021	.	-
Offshore European Fd	$1.4645	1.5564		-
Offshore Global Bond	$0.9514	0.9911		-
Offshore Global Bond Acc.	$0.9514	0.9911	.....	-
Offshore Far Eastn Fd	$2.2209	2.3602	...	-
Offshore UK Growth Fd	$1.9858	2.1104		-
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Jan 8	$4.15		.	-
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£14.90	15.12	....	1.43
LFM Defensive Series	£11.27	11.85		-
Royal Trust Intl Fd Mngt Ltd				
Sterling Fxd Int (z)	100.00	101.00	+0.10	7.62
International Bond (z)	$1.137	1.149	+0.002	4.96
†Prices on Jan 13. Next dealing Jan 20				
Schroder Mngt Services (Jersey) Ltd				

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firmer on tensions

THE DOLLAR traded firmly against the D-Mark yesterday as Washington appeared to be moving towards an attack on Iraq, but the US currency failed to break through crucial technical barriers, *writes James Blitz.*

Political tensions in the world tend to be positive for the dollar, which is deemed a "safe haven" currency. Reports that President Bush was planning an attack on Iraq pushed the dollar up to a high of DM1.6333 in European trading, after a previous close at DM1.6320.

The US currency failed to make further headway. The market remains uncertain whether President-elect Bill Clinton will announce a fiscal package to stimulate the economy, because of indications that the US is already enjoying a recovery.

Mr Neil MacKinnon of Citibank in London also warns against buying the dollar as a result of the Iraqi situation alone. He says that the start of the Gulf War in February 1991 was accompanied by a sharp drop in US consumer confidence, due to rising oil and commodity prices. If repeated, this would depress the US currency again.

The dollar closed in London yesterday at DM1.6325 against the D-Mark.

The D-Mark continued to soften against the French franc as the Bundesbank provided new indications that it might cut short-dated interest rates again.

The Bundesbank added more liquidity to the German cash market in its weekly intervention than had been expected. Mr Helmut Schlesinger, the Bundesbank President, improved sentiment by saying that the central bank was prepared to show further flexibility on interest rates.

The franc rose to another six week high against the German currency, closing in London at FFr3.391 to the D-Mark, from a previous close of FFr3.395. It was some 4 centimes above its ERM floor against the D-Mark.

Given the more accommodating stance of the Bundesbank, there are growing reasons to think that the battle of the franc may have been truly won. But a question hanging over the French currency is whether the Bundesbank will ease monetary policy quickly enough to allow France to lower rates from their high levels.

Mr MacKinnon says that the Bundesbank will await the outcome of the talks on the Solidarity Pact and the January inflation figures before making any more decisions.

But Mr Christopher Potts of Banque Indosuez in Paris was quoted yesterday as saying that another gesture on interest rates would probably be required from the Bundesbank before the end of the month, if tensions were to be allayed.

A devaluation of the Irish punt would also focus attention again on the French currency. The Irish punt traded well above its ERM floors, but 1 month Irish punts were still quoted at around 30 per cent at the end of the day.

£ IN NEW YORK

Jan 13	Latest	Previous Close
£ Spot	1.5405-1.5415	1.5430 1.5440
1 month	0.53-0.51pm	0.56 0.54pm
3 months	1.40-1.37pm	1.45 1.42pm
12 months	4.00-3.90pm	4.12 4.02pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Jan 13	Previous
8.30	am	82.0	82.3
9.00	am	82.0	82.3
10.00	am	82.0	82.2
11.00	am	82.0	82.2
Noon		82.0	82.3
1.00	pm	81.9	82.3
2.00	pm	81.9	81.9
3.00	pm	81.9	81.8
4.00	pm	81.8	81.8

CURRENCY RATES

Jan 13	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.883743	0.778991
U.S Dollar	3.00	1.37537	1.20183
Canadian $	7.27	1.75745	1.53834
Austrian Sch.	8.25	15.7727	13.8054
Belgian Franc	7.75	46.1024	40.3874
Danish Krone	9.50	8.65314	7.57812
D-Mark	8.25	2.23910	1.96198
Dutch Guilder	7.75	2.51596	2.20631
French Franc	10	7.58998	6.64911
Italian Lira	12.00	2033.10	1813.10
Japanese Yen	3.25	172.128	151.394
Norway Krone	-	9.58427	8.37013
Spanish Peseta	-	158.821	139.244
Swedish Krona	11.50	10.2355	8.95662
Swiss Franc	5.50	2.04586	1.80334
Greek Drach	19	N/A	262.179
Irish Punt	-	N/A	0.742052

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Jan.12

CURRENCY MOVEMENTS

Jan 13	Bank of England Index	Morgan** Guaranty Changes %
Sterling	81.8	-28.33
U S Dollar	66.8	-10.60
Canadian Dollar	94.4	-7.59
Austrian Schilling	114.9	+16.45
Belgian Franc	115.5	+1.06
Danish Krone	117.2	+11.46
D-Mark	125.1	+31.54
Swiss Franc	109.9	+18.17
Dutch Guilder	119.2	+20.73
French Franc	109.6	-7.29
Lira	82.1	-32.94
Yen	150.8	+87.50
Peseta	99.6	-24.27

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Jan 12

OTHER CURRENCIES

Jan 13	£	$
Argentina	1.5405 - 1.5415	0.9985 - 0.9995
Australia	2.2910 - 2.2930	1.4855 - 1.4865
Brazil	20577.0 - 20578.5	13340.0 - 13341.0
Finland	8.3765 - 8.4595	5.4400 - 5.4600
Greece	333.500 - 340.200	216.090 - 220.410
Hong Kong	11.9530 - 11.9685	7.7370 - 7.7380
Iran	2313.00*	1493.00*
Korea(Sth)	1210.15 - 1229.65	788.00 - 794.20
Kuwait	0.49700 - 0.49800	0.30470 - 0.30500
Luxembourg	51.65 - 51.75	33.55 - 33.65
Malaysia	4.0145 - 4.0250	2.5975 - 2.5985
Mexico	4.7935 - 4.7965	3.1075 - 3.1095
N.Zealand	2.9985 - 3.0025	1.9440 - 1.9465
Saudi Ar	5.7910 - 5.8025	3.7495 - 3.7505
Singapore	2.5610 - 2.5670	1.6585 - 1.6595
S.Af (Cm)	4.7475 - 4.7585	3.0700 - 3.0720
S.Af (Fn)	7.4195 - 7.4775	4.8100 - 4.8475
Taiwan	39.15 - 39.35	25.40 - 25.50
U.A.E.	5.6705 - 5.6835	3.6715 - 3.6735

*Floating rate Iran Official rate:£100.35 $66.60

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jan 13	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	182.194	175.743	-3.54	4.62	53
Spanish Peseta	143.386	139.244	-2.89	3.92	44
Belgian Franc	40.6304	40.3874	-0.60	1.52	23
Dutch Guilder	2.21958	2.20631	-0.60	1.52	23
D-Mark	1.96992	1.96198	-0.40	1.32	18
French Franc	6.60683	6.64911	0.64	0.27	-43
Danish Krone	7.51410	7.57812	0.85	0.06	-45
Irish Punt	0.735334	0.742052	0.91	0.00	-47

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times

POUND SPOT - FORWARD AGAINST THE POUND

Jan 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5365 - 1.5475	1.5390 - 1.5400	0.52-0.50cpm	3.98	1.41-1.38pm	3.62
Canada	1.9670 - 1.9800	1.9755 - 1.9765	0.03-0.02cpm	0.15	0.07-parpm	0.07
Netherlands	2.8200 - 2.8400	2.8200 - 2.8300	¼-½cdis	-1.59	⅝-⅞dis	-1.06
Belgium	51.65 - 52.10	51.65 - 51.75	5-9cdis	-1.62	12-18dis	-1.16
Denmark	9.7000 - 9.7575	9.7025 - 9.7125	4⅞-8oredis	-7.80	13½-18¼dis	-6.64
Ireland	0.9500 - 0.9545	0.9520 - 0.9530	3.45-2.10ppm	34.96	4.95-3.30pm	17.32
Germany	2.5100 - 2.5225	2.5100 - 2.5150	¼-⅜pfdis	-1.49	¼-1dis	-1.39
Portugal	224.50 - 226.25	224.50 - 225.50	145-157cdis	-8.05	403-430dis	-7.40
Spain	178.00 - 179.25	178.15 - 178.45	126-136cdis	-8.82	340-359dis	-7.84
Italy	2318.50 - 2341.50	2323.25 - 2324.25	11-13liredis	-6.20	31-34dis	-5.59
Norway	10.6900 - 10.7750	10.7025 - 10.7125	3¼-4⅝oredis	-4.20	8⅞-10½dis	-3.62
France	8.5050 - 8.5625	8.5125 - 8.5225	3¼-4cdis	-5.46	9⅝-10⅝dis	-4.75
Sweden	11.4275 - 11.5950	10.4575 - 10.4675	3¼-3⅞oredis	-4.01	8⅜-9½dis	-3.42
Japan	193.50 - 194.75	193.50 - 194.50	⅝-½ypm	3.48	1⅞-1⅝pm	3.48
Austria	17.63 - 17.75	17.64 - 17.67	2-3grodis	-1.70	4⅝-6⅝dis	-1.29
Switzerland	2.2900 - 2.3200	2.2925 - 2.3025	⅝-⅝cpm	2.61	⅞-⅝pm	1.31
Ecu	1.2785 - 1.2890	1.2800 - 1.2810	0.36-0.40cdis	-3.56	0.96-1.04dis	-3.12

Commercial rates taken towards the end of London trading. Six-month forward dollar 2.48-2.43pm . 12 Month 4.05-3.95pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jan 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5365 - 1.5475	1.5390 - 1.5400	0.52-0.50cpm	3.98	1.41-1.38pm	3.62
Ireland†	1.6115 - 1.6250	1.6210 - 1.6220	8.00-4.50cpm	46.25	9.80-6.80pm	20.47
Canada	1.2780 - 1.2900	1.2815 - 1.2825	0.40-0.46cdis	-4.02	1.03-1.18dis	-3.45
Netherlands	1.8280 - 1.8410	1.8350 - 1.8360	0.85-0.88cdis	-5.66	2.13-2.19dis	-4.71
Belgium	33.50 - 33.70	33.55 - 33.65	15.00-16.00cdis	-5.54	39.00-42.00dis	-4.82
Denmark	6.2850 - 6.3275	6.3025 - 6.3075	5.50-8.50oredis	-13.32	14.50-17.50dis	-10.15
Germany	1.6265 - 1.6380	1.6320 - 1.6330	0.79-0.81pfdis	-5.88	2.06-2.08dis	-5.07
Portugal	145.80 - 146.55	146.15 - 146.25	144-150cdis	-12.07	398-413dis	-11.09
Spain	115.45 - 116.20	115.80 - 115.90	127-129cdis	-13.26	333-336dis	-11.55
Italy	1502.25 - 1519.00	1509.25 - 1509.75	12.50-13.50liredis	-10.33	34.80-36.30dis	-9.42
Norway	6.9350 - 6.9875	6.9525 - 6.9575	4.40-5.40oredis	-8.45	12.30-13.30dis	-7.36
France	5.5150 - 5.5575	5.5300 - 5.5350	4.25-4.45cdis	-9.44	11.50-11.90dis	-8.46
Sweden	7.3850 - 7.5400	7.4425 - 7.4475	4.50-5.50oredis	-8.06	12.00-13.00dis	-6.72
Japan	125.70 - 126.25	125.95 - 126.05	0.06-0.07ydis	-0.62	0.09-0.10dis	-0.30
Austria	11.4525 - 11.5200	11.4525 - 11.4575	0.05-0.06grodis	-0.06	13.00-16.00dis	-5.06
Switzerland	1.4900 - 1.5030	1.4915 - 1.4925	0.31-0.34cdis	-2.61	0.87-0.92dis	-2.40
Ecu†	1.1990 - 1.2055	1.2025 - 1.2035	0.77-0.75cpm	7.58	2.03-2.00pm	6.70

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Jan 13	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	6½ - 6¼	6½ - 6¼	7⅛ - 6⅞	7⅛ - 7	6⅞ - 6⅞	6¾ - 6⅝
US Dollar	2⅞ - 2⅞	3⅛ - 3	3¼ - 3⅛	3⅜ - 3¼	3½ - 3⅜	3⅞ - 3⅞
Can. Dollar	7⅛ - 6¾	7 - 6¾	6⅞ - 6⅞	6⅞ - 6⅞	6⅞ - 6⅞	7⅛ - 6⅞
Dutch Guilder	8⅞ - 8⅞	8⅞ - 8⅞	8¾ - 8⅝	8⅞ - 7⅞	7¾ - 7½	7⅜ - 7⅛
Swiss Franc	5 - 4¾	5 - 4¾	5½ - 5⅜	5⅝ - 5½	5⅜ - 5⅞	5⅞ - 5⅞
D-Mark	8¾ - 8⅝	8¾ - 8⅝	8⅞ - 8⅞	8⅞ - 8⅞	8⅛ - 8	7⅞ - 7⅞
French Franc	12⅛ - 12	12⅛ - 12	11⅞ - 11⅝	11⅞ - 11⅝	10⅛ - 10⅝	9⅝ - 9⅞
Italian Lira	13½ - 11½	13¼ - 12½	13 - 12½	12⅞ - 12⅝	12⅞ - 12⅝	12⅝ - 12⅛
Belgian Franc	8⅞ - 8⅞	8⅞ - 8⅞	8¾ - 8⅝	8⅝ - 8⅛	7⅞ - 7⅞	7⅞ - 7⅞
Yen	3⅞ - 3⅝	3⅞ - 3⅞	3⅞ - 3⅞	3⅜ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞
Danish Krone	13 - 11	15 - 13	17 - 14	17 - 14	14 - 12	13 - 10
Asian $Sing*	2 - 1⅞	2⅛ - 2	2⅛ - 2	2⅛ - 2⅛	2⅛ - 2⅛	3 - 2⅞
Spanish Peseta	15⅞ - 15⅞	15⅞ - 15⅞	15⅞ - 15⅛	15⅛ - 14⅞	14⅝ - 14⅝	14⅝ - 14⅞
Portuguese Esc.	13 - 12½	14 - 13	15 - 14½	15 - 14⅝	14⅞ - 14⅞	14⅞ - 14⅝

Long term Eurodollars: two yrs 4⅞-4⅞ per cent; three yrs 5⅞-5⅞ per cent; four yrs 5⅞-5⅜ per cent; five yrs 6⅞-6⅞ per cent nominal. Short term rates are call for US$ and Japanese Yen; others, two days' notice. *Domestic

EXCHANGE CROSS RATES

Jan.13	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr	Pta	Ecu
£	1	1.539	2.512	194.0	8.517	2.297	2.825	2324	1.976	51.70	178.3	1.280
$	0.650	1	1.632	126.1	5.534	1.493	1.836	1510	1.284	33.59	115.9	0.832
DM	0.398	0.613	1	77.23	3.391	0.914	1.125	925.2	0.787	20.58	70.98	0.510
YEN	5.155	7.933	12.95	1000.	43.90	11.84	14.56	11979	10.19	266.5	919.1	6.598
F Fr.	1.174	1.807	2.949	227.8	10.	2.697	3.317	2729	2.320	60.70	209.3	1.503
S Fr.	0.435	0.670	1.094	84.46	3.708	1	1.230	1012	0.860	22.51	77.62	0.557
N Fl.	0.354	0.545	0.889	68.67	3.015	0.813	1	822.7	0.699	18.30	63.12	0.453
Lira	0.430	0.662	1.081	83.48	3.665	0.988	1.216	1000.	0.850	22.25	76.72	0.551
C $	0.506	0.779	1.271	98.18	4.310	1.162	1.430	1176	1	26.16	90.23	0.648
B Fr.	1.934	2.977	4.859	375.2	16.47	4.443	5.464	4495	3.822	100.	344.9	2.476
Pta	0.561	0.863	1.409	108.8	4.777	1.288	1.584	1303	1.108	29.00	100	0.718
Ecu	0.781	1.202	1.963	151.6	6.654	1.795	2.207	1816	1.544	40.39	139.3	1

Yen per 1,000: French Fr. per 10: Lira per 1,000. Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Mar	Calls Jun	Puts-settlements Mar	Puts Jun
97	2-57	3-63	0-11	0-41
98	2-04	3-17	0-22	0-59
99	1-23	2-40	0-41	1-18
100	0-53	2-04	1-07	1-46
101	0-28	1-37	1-46	2-15
102	0-14	1-12	2-32	2-54
103	0-07	0-56	3-25	3-34
104	0-03	0-40	4-21	4-18

Estimated volume total, Calls 1213 Puts 1152
Previous day's open int. Calls 13739 Puts 19912

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Mar	Calls Jun	Puts-settlements Mar	Puts Jun
101	3-02	2-57	0-18	1-25
102	2-15	2-20	0-31	1-52
103	1-36	1-53	0-52	2-21
104	1-00	1-27	1-16	2-59
105	0-40	1-05	1-56	3-37
106	0-22	0-51	2-38	4-19
107	0-12	0-37	3-28	5-05
108	0-08	0-27	4-24	5-59

Estimated volume total, Calls 40 Puts 0
Previous day's open int. Calls 65 Puts 50

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Mar	Calls Jun	Puts-settlements Mar	Puts Jun
9150	1.36	1.65	0.06	0.30
9200	0.94	1.30	0.14	0.45
9250	0.58	0.99	0.28	0.64
9300	0.32	0.73	0.52	0.88
9350	0.17	0.54	0.87	1.19
9400	0.08	0.37	1.28	1.52
9450	0.04	0.25	1.74	1.90
9500	0.03	0.16	2.23	2.31

Estimated volume total, Calls 5551 Puts 3571
Previous day's open int. Calls 59447 Puts 58653

LIFFE EUROMARK OPTIONS
DM1m points of 100%

Strike Price	Calls-settlements Mar	Calls Jun	Puts-settlements Mar	Puts Jun
9150	0.59	1.40	0.04	0.04
9175	0.39	1.17	0.09	0.06
9200	0.25	0.96	0.20	0.10
9225	0.15	0.75	0.35	0.14
9250	0.09	0.58	0.54	0.22
9275	0.05	0.42	0.75	0.31
9300	0.03	0.29	0.98	0.43
9325	0.02	0.20	1.22	0.59

Estimated volume total, Calls 4657 Puts 5098
Previous day's open int. Calls 110745 Puts 66650

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS Lira 200m 100ths of 100%

Strike Price	Calls-settlements Mar	Calls Jun	Puts-settlements Mar	Puts Jun
9200	2.07	2.77	0.65	1.25
9250	1.72	2.47	0.80	1.45
9300	1.39	2.19	0.97	1.67
9350	1.13	1.94	1.21	1.92
9400	0.88	1.70	1.46	2.18
9450	0.68	1.49	1.76	2.47
9500	0.51	1.29	2.09	2.77
9550	0.37	1.12	2.45	3.10

Estimated volume total, Calls 335 Puts 227
Previous day's open int. Calls 4882 Puts 2894

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Mar	Calls Jun	Puts-settlements Mar	Puts Jun
9275	0.64	1.01	0.05	0.12
9300	0.44	0.81	0.10	0.17
9325	0.27	0.61	0.18	0.22
9350	0.15	0.45	0.31	0.31
9375	0.09	0.32	0.50	0.43
9400	0.05	0.22	0.71	0.58
9425	0.02	0.14	0.93	0.75
9450	0.01	0.10	1.17	0.96

Estimated volume total, Calls 7894 Puts 1404
Previous day's open int. Calls 68277 Puts 48823

LIFFE EURO SWISS FRANC OPTIONS
SFR 1m points of 100%

Strike Price	Calls-settlements Mar	Calls Jun	Puts-settlements Mar	Puts Jun
9425	0.39	0.82	0.15	0.18
9450	0.23	0.62	0.24	0.23
9475	0.13	0.44	0.39	0.30

Estimated volume total, Calls 70 Puts 30
Previous day's open int. Calls 1682 Puts 2976

LONDON (LIFFE)

9% NOTIONAL BRITISH GILT *
£50,000 32nds of 100%

	Close	High	Low	Prev.
Mar	99-23	99-28	99-12	99-16
Jun	100-11	100-04	100-04	100-04

Estimated volume 27830 (32074)
Previous day's open int. 52925 (53745)

US TREASURY BONDS 8% *
$100,000 32nds of 100%

	Close	High	Low	Prev.
Mar	103-24	103-18	103-18	103-21
Jun	102-16			102-14

Estimated volume 5 (10)
Previous day's open int. 711 (711)

6% NOTIONAL GERMAN GOVT. BOND *
DM250,000 100ths of 100%

	Close	High	Low	Prev.
Mar	92.80	92.91	92.76	92.91
Jun	92.85	92.93	92.80	92.93

Estimated volume 55289 (54105)
Previous day's open int. 162598 (158769)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low
Mar	108.74	108.81	108.72
Jun	108.18		

Estimated volume 801 (694)
Traded exclusively on APT

12% NOTIONAL ITALIAN GOVT. BOND (BTP) *
LIRA 200m 100ths of 100%

	Close	High	Low	Prev
Mar	93.42	93.78	93.34	93.92
Jun	93.52			94.02

Estimated volume 7400 (10451)
Previous day's open int. 24020 (23057)

THREE MONTH STERLING *
£500,000 points of 100%

	Close	High	Low	Prev.
Mar	93.34	93.35	93.25	93.25
Jun	93.64	93.66	93.60	93.60
Sep	93.70	93.73	93.67	93.65
Dec	93.55	93.57	93.52	93.51
Mar	93.31	93.33	93.31	93.28
Jun	92.95	92.95	92.92	92.91

Est. Vol (inc. figs. not shown) 41273 (29738)
Previous day's open int. 231280 (227995)

THREE MONTH EURODOLLAR *
$1m points of 100%

	Close	High	Low	Prev.
Mar	96.48	96.49	96.48	96.48
Jun	96.10	96.12	96.10	96.11
Sep	95.67			95.68
Dec	95.06			95.07

Est. Vol. (inc. figs not shown) 712 (1364)
Previous day's open int. 20069 (19710)

THREE MONTH EUROMARK *
DM 1m points of 100%

	Close	High	Low	Prev
Mar	92.05	92.08	91.98	92.02
Jun	92.86	92.91	92.81	92.89
Sep	93.41	93.47	93.37	93.43
Dec	93.68	93.73	93.63	93.67
Mar	93.95	93.99	93.92	93.96
Jun	93.97	94.00	93.92	93.95

Estimated volume 83193 (92365)
Previous day's open int. 407911 (403624)

THREE MONTH ECU
ECU 1m points of 100%

	Close	High	Low	Prev.
Mar	90.36	90.39	90.35	90.39
Jun	91.55	91.58	91.54	91.59
Sep	92.16	92.19	92.16	92.19
Dec	92.47	92.44	92.44	92.46

Estimated volume 1119 (1899)
Previous day's open int. 12240 (11565)

THREE MONTH EURO SWISS FRANC
SFR 1m points of 100%

	Close	High	Low	Prev.
Mar	94.49	94.54	94.40	94.44
Jun	94.89	94.89	94.81	94.85
Sep	95.14	95.13	95.07	95.10
Dec	95.23	95.25	95.15	95.19

Estimated volume 13191 (10572)
Previous day's open int. 37967 (37199)

THREE MONTH EUROLIRA INT. RATE
LIRA 1,000m points of 100%

	Close	High	Low	Prev.
Mar	87.48	87.55	87.30	87.59
Jun	87.94	88.00	87.90	88.03
Sep	88.23	88.30	88.25	88.30
Dec	88.33	88.45	88.35	88.40

Estimated volume 1584 (1292)
Previous day's open int. 15591 (15346)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev
Mar	2759.0	2790.0	2755.0	2775.0
Jun	2778.5	2803.0	2789.0	2795.0
Sep	2804.0			2820.0

Estimated volume 11157 (8817)
Previous day's open int. 46398 (46277)

* Contracts traded on APT. Closing prices shown.

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Mar	103-23	103-26	103-15	103-21
Jun	102-16	102-18	102-08	102-13
Sep	101-10	101-11	101-05	101-08
Dec	100-05	-	-	100-05
Mar	99-04	-	-	99-04
Jun	98-06	-	-	98-06
Sep	97-11	-	-	97-11
Dec	96-19	-	-	96-19
Mar	95-30	-	-	95-30
Jun	95-11	-	-	95-11

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Mar	96.93	96.93	96.91	96.91
Jun	96.61	96.64	96.60	96.62
Sep	96.26	-	-	96.26
Dec	95.83	-	-	95.83

BRITISH POUND (IMM)
$s per £

	Latest	High	Low	Prev.
Mar	1.5342	1.5356	1.5266	1.5336
Jun	1.5220	1.5240	1.5200	1.5216
Sep	1.5122	-	-	1.5122

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Mar	0.6658	0.6666	0.6630	0.6646
Jun	0.6625	0.6627	0.6600	0.6612
Sep	0.6590	0.6595	0.6590	0.6592

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Mar	0.7926	0.7964	0.7915	0.7976
Jun	0.7925	0.7967	0.7920	0.7976
Sep	0.7986	-	-	0.7986

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Mar	0.6073	0.6081	0.6050	0.6077
Jun	0.6014	0.6014	0.6003	0.6010
Sep	0.5962	-	-	0.5962
Dec	0.5929	-	-	0.5929

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Mar	96.48	96.50	96.46	96.48
Jun	96.11	96.13	96.08	96.11
Sep	95.68	95.70	95.64	95.68
Dec	95.07	95.09	95.03	95.07
Mar	94.84	94.86	94.81	94.85
Jun	94.47	94.49	94.45	94.48
Sep	94.16	94.18	94.13	94.17
Dec	93.74	93.76	93.72	93.74

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Mar	431.30	432.10	431.10	431.45
Jun	432.30	432.45	431.60	431.95
Sep	432.90	-	-	432.90
Dec	434.15	-	-	434.15

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
1.475	6.67	6.68	6.95	7.64	0.02	0.46	1.15	3.12
1.500	4.19	4.70	5.18	6.23	0.03	0.97	1.87	4.13
1.525	1.93	3.03	3.68	4.96	0.16	1.79	2.81	5.32
1.550	0.40	1.84	2.56	3.90	1.12	2.99	4.13	6.73
1.575	0.03	1.02	1.69	3.02	3.15	4.66	5.74	8.26
1.600	-	0.50	1.06	2.34	5.58	6.64	7.55	10.00
1.625	-	0.21	0.63	1.75	8.02	8.79	9.60	11.87

Previous day's open int: Calls 483,003 Puts 507,440 (All currencies)
Previous day's volume: Calls 21,080 Puts 14,670 (All currencies)

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Sett price	Change	High	Low	† Yield	† Open int.
March	112.88	112.88	-0.14	112.98	112.74	8.04	225,494
June	113.80	113.90	-0.06	113.98	113.74	7.91	35,736
September	113.70	113.86	-0.02	113.92	113.72	7.93	1,347

Estimated volume 134,610 † Total Open Interest 262,557

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

March	90.35	90.34	-0.01	90.39	90.24	9.65	63,379
June	91.95	91.85	-0.11	91.96	91.86	8.04	39,070
September	92.50	92.48	-0.04	92.52	92.46	7.48	27,058
December	92.75	92.75	-0.03	92.79	92.72	7.22	9,409

Estimated volume 42,739 † Total Open Interest 148,325

CAC-40 FUTURES (MATIF) Stock Index

January	1797.0	1797.0	-6.0	1810.0	1794.0	-	28,474
February	1817.0	1818.0	-6.5	1824.0	1817.0	-	1,718
March	1835.0	1837.0	-7.00	1842.0	1835.0	-	8,701
June	-	1843.0	-7.00	-	-	-	1,760

Estimated volume 12,592 † Total Open Interest 46,045

ECU BOND (MATIF)

Mar	109.24	109.28	-0.12	109.32	109.12	8.55	11,666

Estimated volume 2,803 † Total Open Interest 11,666

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls February	Calls March	Calls June	Puts February	Puts March	Puts June
111	-	2.13	3.34	0.04	0.26	0.52
112	-	1.32	2.60	0.12	0.47	0.77
113	0.34	0.73	2.01	0.42	0.86	1.10
114	0.06	0.31	1.42	-	-	-
115	-	0.11	0.97	-	-	-
Open Int	9,853	175,761	43,221	11,472	168,608	26,401

Estimated volume 26,670 † Total Open Interest 425,616
† All Yield & Open Interest figures are for the previous day.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5395	1.5344	1.5256	1.5150	1.4995

MONEY MARKETS

Firmer tone in Europe

THE BULLISH tone in European cash and futures markets was a little more pronounced yesterday after the Bundesbank gave several new indications that it was relaxing its stance on monetary policy, *writes James Blitz.*

In its weekly money market intervention, the Bundesbank offered securities repurchase funds for two weeks at the fixed rate of 8.60 per cent, as had been announced at last week's Bundesbank council meeting.

UK clearing bank base lending rate 7 per cent from November 13, 1992

However, to the surprise of some participants, the German central bank also agreed to offer 28-day funds at a lowest accepted rate of 8.60 per cent. Dealers said that this underlined the market's belief that German rates are on a downward trend.

There were several other technical indications that the Bundesbank was being more accommodating. First, it provided more liquidity than the market had expected, adding DM6.6bn, when dealers had expected DM2bn to DM3bn to be added at the very most.

Moreover, the Bundesbank did not choose to add overnight liquidity through emergency funds, which could have been used to mop up the shortages created by tax payments.

According to Miss Alison Cottrell of Midland Global Markets, the Bundesbank acted more generously by putting money into the banking system through its fortnightly and monthly repos.

German call money yesterday dropped to around 8.68 per cent from 8.75 per cent seen in recent days. Euromark futures already appeared to some dealers to be offering fair value. The March contract closed 6 basis points stronger at 92.05.

The surprise of the day in the sterling cash market was the sharp fall in the overnight rate of lending to as low as 3 per cent at the very start of trading.

Easy liquidity conditions may have triggered the low cost of money, with the Bank of England forecasting a shortage of £300m at the start of operations. There were rumours that the Bank of England had been selling sterling on the foreign exchanges to replenish its reserves in the wake of the events of Black Wednesday. But this could not be confirmed.

Whatever the reasons, 3 month sterling cash was much softer at around 7 per cent from a previous 7¼ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan 13) 3 months US dollars		6 months US Dollars	
bid 3¼	offer 3⅜	bid 3⅜	offer 3½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	3.10	Three year	4.94
Broker loan rate	5	Two month	3.10	Five year	5.95
Fed.funds	2⅞	Three month	3.08	Seven year	6.40
Fed.funds at intervention	-	Six month	3.25	10-year	6.72
		One year	3.53	30-year	7.48
		Two year	4.46		

Jan.13	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.65-8.70	8.60-8.70	8.50-8.65	8.45-8.60	8.00-8.10	9.50
Paris	12⅞-12⅞	11½-11⅞	-	11⅝-11⅝	-	9.10
Zurich	4⅞-5	5⅝-5⅜	-	5⅞-5⅞	-	-
Amsterdam	8.43-8.50	8.25-8.33	-	7.95-8.03	-	-
Tokyo	3⅞-3⅞	3⅞-3⅞	-	3⅞-3⅞	-	-
Milan	12⅞-12⅝	12⅞-13	-	12⅞-13	-	-
Brussels	8⅞-8⅞	8⅞-8⅞	-	8⅞-8⅞	-	-
Dublin	16-18	40-45	30-33	27-30	18-20	-

LONDON MONEY RATES

Jan 13	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	6⅛	6⅞	7⅛	7⅞	7	6⅞
Interbank Bid	3	6	6⅞	7	6⅞	6⅞
Sterling CDs	-	-	6⅞	7⅛	6⅞	6⅞
Local Authority Deps.	7	6⅞	7⅞	7⅛	6⅞	6⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	4⅛	6⅞	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	7⅛	7⅛	6⅞	6⅞
Treasury Bills (Buy)	-	-	6⅞	6⅞	6⅞	-
Bank Bills (Buy)	-	-	6⅞	6⅞	6⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.08	3.18	3.35	3.77
SDR Linked Dep. Offer	-	-	5⅛	5⅞	5⅛	5⅛
SDR Linked Dep. Bid	-	-	5⅛	5⅞	5⅛	5
ECU Linked Dep. Offer	-	-	10¼	10¼	9⅞	9⅛
ECU Linked Dep. Bid	-	-	10⅛	10⅛	9⅞	9⅛

Treasury Bills (sell); one-month 6⅝ per cent; three months 6½ per cent, six months 6⅛ per cent, Bank Bills (sell): one-month 6⅞ per cent; three months 6⅞ per cent; Treasury Bills; Average tender rate of discount 6.3574 . ECGD Fixed Rate Sterling Export Finance. Make up day December 31 ,1992 . Agreed rates for period January 26 1993 to February 23 , 1993. Scheme I: 8.38 p.c., Schemes II & III: 8.50 p.c. Reference rate for period December 1, 1992 to December 31 , 1992, Scheme IV&V: 7.232 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 7½ from January 1, 1993. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 3½ per cent; one-three months 6 per cent; three-six months 5½ per cent, six-nine months 5 per cent; nine-twelve months 5 per cent; Under £100,000 3¼ per cent from Nov 16, 1992. Deposits withdrawn for cash 1½ per cent.

BASE LENDING RATES

	%		%		%
Adam & Company	7	Cyprus Popular Bank	7	Mount Banking	7
Allied Trust Bank	7	Duncan Lawrie	7	NatWestminster	7
AIB Bank	7	Equatorial Bank plc	7	Northern Bank Ltd	7
●Henry Ansbacher	7	Exeter Bank Limited	8	Nykredit Mortgage Bnk	7.5
B & C Merchant Bank	13	Financial & Gen Bank	7	●Rea Brothers	7
Bank of Baroda	7	●Robert Fleming & Co	7	Roxburghe Bank Ltd	9
Banco Bilbao Vizcaya	7	Girobank	7	Royal Bk of Scotland	7
Bank of Cyprus	7	●Guinness Mahon	7	●Smith & Williman Secs	7
Bank of Ireland	7	Habib Bank AG Zurich	7	Standard Chartered	7
Bank of India	7	●Hambros Bank	7	TSB	7
Bank of Scotland	7	Hampshire Trust Plc	13.5	Unibank plc	7
Barclays Bank	7	Heritable & Gen Inv Bk.	7	●United Bk of Kuwait	7
Brit Bk of Mid East	7	●Hill Samuel	7	Unity Trust Bank Plc	7
●Brown Shipley	7	C. Hoare & Co	7	Western Trust	7
CL Bank Nederland	7	Hongkong & Shanghai	7	Whiteaway Laidlaw	7
Citibank NA	7	Julian Hodge Bank	7	Yorkshire Bank	7
City Merchants Bank	7	●Leopold Joseph & Sons	7		
Clydesdale Bank	7	Lloyds Bank	7		
The Co-operative Bank	7	Meghraj Bank Ltd	7		
Coutts & Co	7	McDonnell Douglas Bk.	7		
Credit Lyonnais	7	Midland Bank	7		

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	Gross CAR	Int Cr
CAF Money Management Co Ltd 48 Pembury Road, Tonbridge TN9 2JD			0732 770114	
Cafcash Deposit Fund	6.48	-	6.64	3 Mth
Deposits Over £1 million	6.58	-	6.75	3 Mth
Deposits Over £2 million	6.68	-	6.85	3 Mth
The COIF Charities Deposit Account 2 Fore Street London EC2Y 5AQ			071-588 1815	
Deposit	6.90	-	7.08	3-Mth
Cent. Bd. of Fin. of Church of England 2 Fore Street, London EC2Y 5AQ			071-588 1815	
Deposit	7.00	-	7.34	3-Mth
Gartmore Money Management Ltd 16-18 Monument St, London EC3R 8QQ			071-236 1425 / 071 236 9362	
TESSA Desk				
Call Fund	5.94	4.46	6.03	6-Mth
7-day Fund	6.17	4.62	6.26	6-Mth
Special Fund	5.53	4.15	5.67	1-Mth
Dollar	1.92	1.44	1.93	3-Mth
TESSA Prime	6.35	-	6.50	3-Mth

Money Market Bank Accounts

	Gross	Net	Gross CAR	Int Cr
AIB Bank High Interest Cheque Account Belmont Rd, Uxbridge UB8 1SA			0800 282115	
£2,500-£9,999	3.25	2.44	3.29	Qtr
£10,000+	4.70	3.52	4.79	Qtr
Aitken Hume Bank plc 30 City Road, EC1Y 2AY			071-638 6070	
Treasury Acc	5.50	4.125	5.61	Qtr
[illegible]	5.50	4.125	5.64	Mth
[illegible]	6.00	4.50	6.17	Mth
Mth Inc Chq £50,000+	6.50	4.875	6.70	Mth
Allied Trust Bank Ltd 97-101 Cannon St, London EC4N 5AD			071-626 0879	
TREMNA (£2,001+)	7.76	5.82	7.76	Yearly
TOMNA (£2,001+)	7.23	5.42	7.23	Yearly
OMNA (£2,001+)	6.91	5.18	6.91	Yearly
HICA (£2,001+)	5.60	4.20	5.75	Mth
HICMA (£2001+)	6.40	4.80	6.59	-
Premier TESSA	9.49	7.12	9.49	Yearly
American Express Bank Ltd Sussex House, Burgess Hill RH15 9AQ			0444 232444	
High Performance Cheque Account				
£500-£999	2.00	1.50	2.02	Mth
£1,000-£4,999	5.50	4.13	5.64	Mth
£5,000-£9,999	5.75	4.31	5.90	Mth
£10,000-£24,999	6.00	4.50	6.17	Mth
£25,000-£49,999	6.25	4.69	6.43	Mth
£50,000+	6.75	5.06	6.96	Mth
Bank of Ireland High Interest Cheque Acc 36-40 High St, Slough SL1 1EL			0753 516516	
£10,000+	5.25	3.94	5.35	Qtr
£2,000-£9,999	5.00	3.75	5.10	Qtr
Bank of Scotland 38 Threadneedle St, EC2P 2EH			071-601 6446	
[illegible] £2,500-£24,999	5.64	4.23	5.79	Mth
£25,000+	5.88	4.41	6.04	Mth
Bank of Wales – Business Accounts Kingsway, Cardiff CF1 4YB			0222 229922	
Current Account £25,000+	5.00	-	5.09	Qtr
Investment Account £25,000+	6.00	-	6.16	Mth
Barclays Select PO Box 120, Westwood Bs Pk, Coventry			0800 400100	
£2,000-£9,999	5.00	3.75	5.00	Yearly
£10,000-£24,999	5.90	4.43	5.90	Yearly
£25,000-£49,999	6.30	4.73	6.30	Yearly
£50,000+	6.90	5.18	6.90	Yearly

	Gross	Net	Gross CAR	Int Cr
Coutts & Co Reserve Account, 15 Lombard St, London EC3V 9AU			071-623 3434	
For personal customers				
£50,000+	5.00	3.75	5.10	Qtr
£20,000-£49,999	4.50	3.375	4.58	Qtr
£5,000-£19,999	4.00	3.00	4.06	Qtr
For businesses, charities and societies				
£100,000-£1,000,000	4.50	3.375	4.58	Qtr
£25,000-£99,999	4.25	3.19	4.32	Qtr
£10,000-£24,999	3.50	2.625	3.55	Qtr
Coutts Composite Account for clients money, 27 Bush Lane, London EC4R 0AA			071-623 3434	
Rates negotiable up to	6.375	-	-	-
Dao Heng Bank (London) PLC Premier Acc 86 Newman Street W1P 3LD			071-637 [illegible]	
£2,500-£10,000	5.50	4.13	5.61	Qtr
£10,001-£20,000	6.00	4.50	6.14	Qtr
£20,000+	6.75	5.06	6.92	Qtr
Savings Account	4.50	3.375	4.58	Qtr
Davenham Tst Plc–Davenham 500 Acc 8 St John St Manchester M3 4DU			061 832 8484	
£10,000+ 6 Mths	10.00	7.50	-	6-Mth
£10,000+ 1 Year	10.00	7.50	-	Yearly
Fidelity Money Market Account Fidelity Brokerage Services Ltd, Oakhill House, Hildenborough Kent TN11 9DZ				
£1-£49,999	5.50	4.125	5.61	Qtr
£50,000-£249,999	6.00	4.50	6.14	Qtr
£250,000-£499,999	6.625	4.969	6.79	Qtr
£500,000+ Money Market Rates on request				
Gartmore Money Management Ltd 16-18 Monument St London EC3R 8QQ			071-236 1425	
HICA £10,000+	5.75	4.31	5.87	3-Mth
Halifax Bldg Soc Asset Reserve Cheque Acc Trinity Road Halifax HX1 2RG			0422 335333	
£5,000-£9,999	5.50	4.13	5.61	Qtr
£10,000-£24,999	6.20	4.65	6.35	Qtr
£25,000-£49,999	6.55	4.91	6.71	Qtr
£50,000 and above	7.35	5.51	7.56	Qtr
Julian Hodge Bank Ltd 10 Windsor Place Cardiff CF1 3BX			0222 220800	
6 Mth Fixed Rate Dep Acc	8.00	6.00	-	-
Extra High Interest Deposit Account				
£50,000+	7.75	5.81	7.98	Qtr
£10,000+	7.50	5.63	7.71	Qtr
£5,000+	7.00	5.25	7.19	Qtr
Humberclyde Finance Group 5 Bartley Way, Hook, Basingstoke			0256 760000	
£50,000+	7.00	5.25	7.19	Qtr
Leopold Joseph & Sons Limited 29 Gresham Street, London EC2V 7EA			071 588 2323	
Treasury High Interest Cheque Account				
£25,001-£100,000	6.50	4.875	6.660	Qtr
£100,001 plus	6.75	5.0625	6.923	Qtr
Kleinwort Benson Ltd 158 Kentish Town Rd, London NW5 2BT			071 267 1366	
H.I.C.A. (£2,500+)	5.75	4.3125	5.90	Daily
Lloyds Bank – Investment Account 71 Lombard St, London EC3P 3BS			0272 433372	
£50,000 and above	6.00	4.50	6.00	Yearly
£25,000+	5.70	4.28	5.70	Yearly
£10,000+	5.50	4.13	5.50	Yearly
Midland Bank plc PO Box 2, Sheffield			0742 529594	
Exchequer Acc £5000+	5.25	3.94	5.25	Yearly
£10,000+	6.00	4.50	6.00	Yearly
£25,000+	6.50	4.88	6.50	Yearly
£50,000+	7.50	5.63	7.50	Yearly
TESSA	6.75	-	6.75	Yearly
NatWest Crown Reserve Account 41 Lothbury London, EC2P 2BP			0800 200 400	
£50,000+	6.75	5.06	6.92	Qtr
£25,000-£49,999	6.375	4.78	6.53	Qtr
£10,000 to £24,999	5.875	4.41	6.01	Qtr
£2,000-£9,999	5.375	4.03	5.48	Qtr
Nationwide Bldg Soc – BusinessInvestor Business High Interest Cheque Account, Pipers Way, Swindon SN38 1NW			0800 [illegible]	
£2,000-£4,999	4.90	3.68	4.99	Qtr
£5,000-£9,999	5.40	4.05	5.51	Qtr
£10,000-£24,999	5.90	4.43	6.03	Qtr
£25,000-£49,999	6.40	4.80	6.56	Qtr
£50,000+	6.90	5.18	7.08	Qtr

Portman Bldg Soc Prestige Cheque Account [illegible]

Barclays Prime Account H.I.C.A. [illegible]

Brown Shipley & Co Ltd [illegible]

Caledonian Bank Plc [illegible]

Cater Allen Ltd [illegible]

Charterhouse Bank Limited [illegible]

Clydesdale Bank Flexible Solution Acc [illegible]

Confederation Bank Limited [illegible]

The Co-operative Bank [illegible]

Provincial Bank PLC [illegible]

Royal Bank of Scotland plc Premium Acc [illegible]

Save & Prosper/Robert Fleming [illegible]

Tyndall & Co Ltd [illegible]

United Dominions Trust Ltd [illegible]

J. Henry Schroder Wagg & Co Ltd [illegible]

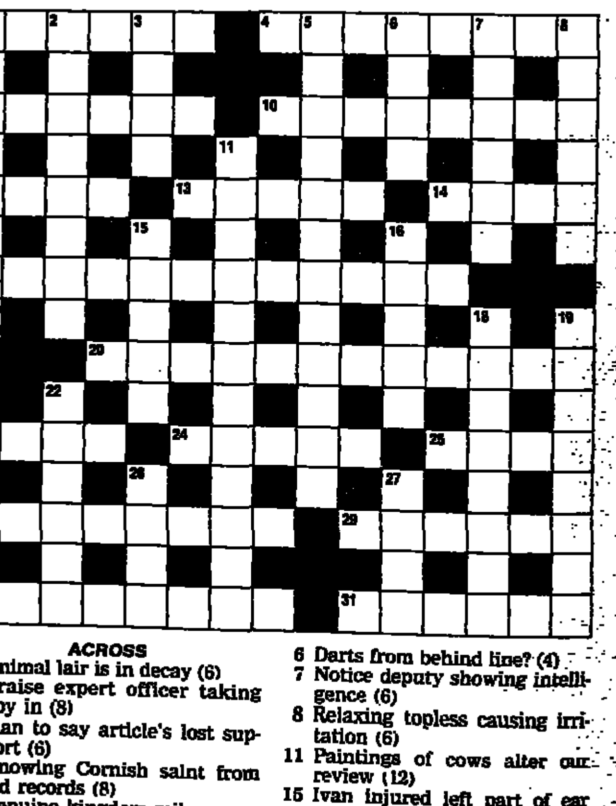
Western Trust High Interest Cheque Acc [illegible]

Wimbledon & South West Finance PLC [illegible]

[illegible]

CROSSWORD

No.8,050 Set by GRIFFIN



ACROSS
1 Animal lair is in decay (6)
4 Praise expert officer taking boy in (8)
9 Plan to say article's lost support (6)
10 Knowing Cornish saint from old records (8)
12 Genuine kingdom miles away (4)
13 Hot ash right inside grating (5)
14 Scrutinise second food container (4)
17 In one, Vincent could be unsuitable (12)
20 Disturbed theologian is concrete mixing in it! (12)
23 Looking embarrassed about vocal you regretted (4)
24 Penny delayed getting false teeth (5)
25 Check way crossword compiler reverses (4)
28 Need a spell without a power cut (8)
29 Refuse to acknowledge I'd backed broadcast (6)
30 Stand in youth centre despite ugly exterior (8)
31 Dissertation by the one on board (6)

DOWN
1 Support water control (8)
2 Reserve takes ball – it's thrown in (8)
3 Require one educated internally (4)
5 "Religion isn't charity in another form" I interposed (12)
6 Darts from behind line? (4)
7 Notice deputy showing intelligence (6)
8 Relaxing topless causing irritation (6)
11 Paintings of cows alter our review (12)
15 Ivan injured left part of ear (5)
16 Displease park official right away (5)
18 Posts as it's not free (8)
19 Mark, sent round after party, returns trifles (8)
21 Greased palm of wife in bed (6)
22 After last month Pam's mad to abscond (6)
26 After finishing impressions tackle satire (4)
27 Concealed upright pole in parabolic aerial (4)

Solution to Puzzle No.8,049

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CEREAL EDUCATOR
O E G S O A H E
MACBETH OILSEED
P A S R R E T E
RAPE SUBSIDIARY
I T T G T O E
SQUIRT KENNEDY
E R A U P I I S
 READING MARVEL
S E Z S N E I
MAASTRICHT CROP
A S A P O O S P
LASTLAP REPTILE
L E K E T A O R
SETASIDE PLENTY
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هكذا من الأصل

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NETHERLANDS (continued)

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWEDEN (continued)

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. [illegible]

CANADA

TORONTO

3 pm January 13

Quotations in cents unless marked $

[illegible]

MONTREAL

3 pm January 13

[illegible]

Total Sales 17,177,800 shares

INDICES

NEW YORK DOW JONES

	Jan 12	Jan 11	Jan 8	Jan 7	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3264 64	3262.75	3251.67	3268.96	3413.21 (1/6/92)	3136.58 (9/10/92)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	103.53	103.49	103.59	103 75	103 90 (6/1/93)	98 41 (20/3/92)	103.90 (6/1/93)	54.99 (1/10/81)
Transport	1482.24	1489 70	1488.29	1480.23	1489 70 (11/1/93)	1204 40 (26/8/92)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	218.39	218 64	217.14	218.58	225.59 (3/1/92)	200 74 (8/4/92)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3287.06 (3284 09) Low 3229.79 (3228.98) (Theoretical)♠
Day's High 3268.15 (3262.75) Low 3239.52 (3250.05) (Actual)♠

STANDARD AND POOR'S

	Jan 12	Jan 11	Jan 8	Jan 7	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	431.04	430.95	429.05	430.73	441.28 (18/12/92)	394.50 (8/4/92)	441.28 (18/12/92)	4 40 (1/6/32)
Industrials	501.13	501.40	499 48	500.95	515.75 (18/12/92)	470.91 (8/4/92)	515.75 (18/12/92)	3.62 (21/6/32)
Financial	40.30	40.21	39 89	40.13	41 07 (30/12/92)	32.40 (8/4/92)	41.07 (30/12/92)	8.64 (1/10/74)
NYSE Composite	237.20	237.09	236.21	237.26	242.08 (18/12/92)	217 92 (8/4/92)	242.08 (18/12/92)	4.46 (25/4/42)
Amex Mkt. Value	396.41	397.24	395.84	397.12	418.99 (12/2/92)	364.85 (9/10/92)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	679.45	682.40	677 21	678.21	682.40 (11/1/93)	547.84 (26/6/92)	682.40 (11/1/93)	54.87 (31/10/72)

	Jan 7	Dec 31	Dec 24	year ago (approx.)
Dow Industrial Div. Yield	3.19	3.14	3.12	2.89

	Jan 6	Dec 16	Dec 9	year ago (approx.)
S & P Industrial div. yield	2.58	2.58	2.58	2.78
S & P Indl. P/E ratio	26.85	26 78	27.10	23.24

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
East Kodak	7,005,400	47½	+ 2½
IBM	4,865,600	48¼	+ 1
Natl City	4,309,600	48⅞	.....
Chrysler	3,940,500	34⅝	- 1⅛
Glaxo	3,937,800	22⅞	- ⅛
K Mart	3,355,800	22¾	+ ⅜
Telefonos	3,010,000	55⅝	+ ⅛
Tucson Elt	2,275,900	2¼	.....
Natl Healt	2,135,200	15	- ⅝
RJR Nabisco	2,089,300	8⅝	.....

TRADING ACTIVITY

† Volume Millions	Jan 12	Jan 11	Jan 8
New York SE	239.250	217.150	262.620
Amex	15.480	13.424	16.977
NASDAQ	233.775	195.740	232.820
NYSE			
Issues Traded	2,408	2,417	2,427
Rises	893	1,101	680
Falls	878	710	1,178
Unchanged	637	606	569
New Highs	67	70	48
New Lows	22	23	20

CANADA TORONTO

	Jan 12	Jan 11	Jan 8	Jan 7	1992/93 HIGH	1992/93 LOW
Metals & Minerals	2800.23	2829.43	2812.35	2809 46	3238.87 (16/1/92)	2529.91 (17/11/92)
Composite	3314.54	3310.20	3311.77	3318.87	3666.00 (16/1/92)	3195.40 (14/10/92)
MONTREAL Portfolio	1749.50	1742.96	1744.54	1748.32	1937.59 (16/1/92)	1663 16 (14/10/92)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

INTERNATIONAL INDICES

	Jan 13	Jan 12	Jan 11	Jan 8	1992/93 HIGH	1992/93 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1495 0	1509 4	1514 1	1502 3	1684 50 (22/5/92)	1357 20 (16/11/92)
All Mining (1/1/80)	584 7	592.6	595 0	588.2	726 80 (3/7/92)	545 40 (16/11/92)
AUSTRIA						
Credit Aktien (30/12/84)	301.03	302.23	303 68	305.24	458.57 (24/2/92)	291 41 (13/8/92)
Traded Index (2/1/91)	712.57	716.23	721.35	725 80	1099 43 (24/2/92)	682.96 (13/8/92)
BELGIUM						
BEL20 (1/1/91)	1149.03	1146.02	1144.11	1143 97	1235 40 (2/6/92)	1046.07 (2/9/92)
DENMARK						
Copenhagen SE (3/1/83)	266.11	265 62	265.50	266.85	365 29 (15/1/92)	250 42 (28/10/92)
FINLAND						
HEX General (28/12/90)	868.3	878.2	888.3	905 0	935.90 (24/2/92)	541.00 (7/9/92)
FRANCE						
CAC General (31/12/81)	471.24	477.62	484.92	483.61	555 93 (12/5/92)	441.70 (7/10/92)
CAC 40 (31/12/87)	1782.53	1796.76	1814.58	1852.63	2077 49 (11/5/92)	1611.04 (5/10/92)
GERMANY						
FAZ Aktien (31/12/58)	599 69	599.86	602.29	602.72	725.26 (26/5/92)	565.61 (12/10/92)
Commerzbank (1/12/53)	1698.7	1698.9	1705.9	1707 7	2043.80 (25/5/92)	1594 60 (12/10/92)
DAX (30/12/87)	1516.50	1530.19	1531.96	1531.52	1811.57 (25/5/92)	1420.30 (6/10/92)
HONG KONG						
Hang Seng Bank (31/7/64)	5778.74	5671.26	5673.10	5529.56	6447.11 (12/11/92)	4301 78 (2/1/92)
IRELAND						
ISEQ Overall (4/1/88)	1259.25	1278.20	1291.19	1293 43	1469.57 (17/1/92)	1094.88 (19/10/92)
ITALY						
Banca Com. Ital (1972)	458.85	451.11	449.21	456.69	551.59 (6/2/92)	354 93 (16/9/92)
MIB General (4/1/93)	1014 0	997.0	992.0	1010.0	1014 00 (13/1/93)	992.00 (11/1/93)
JAPAN						
Nikkei (16/5/49)	16517.91	16681.05	16589.55	16634.69	23801.18 (6/1/92)	14309 41 (18/8/92)
Tokyo SE (Topix) (4/1/68)	1271.46	1281 98	1283.93	1289.52	1763.43 (6/1/92)	1102.50 (18/8/92)
2nd Section (4/1/68)	1695.34	1705.68	1707.59	1713.65	2459.85 (6/1/92)	1502.77 (19/8/92)
MALAYSIA						
KLSE Composite (4/4/86)	614.28	616.46	621.46	629.51	660.35 (5/11/92)	546 63 (14/1/92)
NETHERLANDS						
CBS Ttl.Rtn.Gen (End 1983)	295.1	295.9	295 6	297.4	314.90 (9/6/92)	274 00 (8/1/92)
CBS All Shr (End 1983)	198.6	199.2	198.9	200 1	215.50 (26/5/92)	189.70 (25/8/92)
NORWAY						
Oslo SE (Ind) (2/1/83)	686.51	696.50	684.55	690.04	772.74 (18/5/92)	532 43 (25/8/92)
PHILIPPINES						
Manila Comp (2/1/85)	1320.76	1308.17	1314.09	1313.31	1580.95 (11/6/92)	1083.01 (17/3/92)
SINGAPORE						
SES All-Singapore (2/4/75)	394.10	397.53	397.93	401 61	416.99 (21/1/92)	351.41 (21/10/92)
SOUTH AFRICA						
JSE Gold (28/9/78)	785.09	789 0	801.0	790 0	1327.00 (21/1/92)	746.00 (10/11/92)
JSE Industrial (28/9/78)	4550.09	4556 0	4562.0	4534.0	4689.00 (4/6/92)	3936 00 (19/10/92)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	705.93	703.05	708.42	704.50	709.77 (9/1/93)	459.07 (21/8/92)
SPAIN						
Madrid SE (30/12/85)	220 06	219.11	219.37	220.12	266.51 (28/2/92)	179.48 (5/10/92)
SWEDEN						
Affarsvariden Gen. (1/2/37)	930.5	935.2	943 10	948.30	1014.50 (11/5/92)	639 00 (5/10/92)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	912.0	915 4	904.8	918.3	938.10 (5/1/93)	748.50 (8/1/92)
SBC General (1/4/87)	687 8	687.1	678 7	685.1	696.40 (6/1/93)	596 40 (26/8/92)
TAIWAN**						
Weighted Price (30/6/66)	3227.93	3217.55	3171.24	3171 99	5391.63 (30/1/92)	3088 43 (9/1/93)
THAILAND						
Bangkok SET (30/4/75)	930.27	933.60	926 70	920 79	963 03 (5/11/92)	667 84 (19/5/92)
WORLD						
M.S. Capital Intl.(1/1/70) $	487 0*	489 4	490.5	488.7	542.10 (7/1/92)	467.50 (8/4/92)
Euro Top-100 (26/6/90)	862.73	864 49	866 03	874.04	976.55 (25/5/92)	772.52 (6/10/92)

**Saturday January 9: Taiwan Weighted Price: 3088.43, Korea Comp Ex 709.77
ψ Subject to official recalculation.
*Calculated at 15 00 GMT

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen, CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255 7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday, 13 January, 1993

	Stocks Traded	Closing Prices	Change on day
Yasuda Tst & Bk	6 4m	-17	685
Odakyu Elec Rail	3.2m	+ 6	668
Canon Inc	3.0m	-10	1,360
Green Cross	2.7m	-60	1,190
Sumitomo Chem	2.7m	-24	431
Mitsumi Elec	2.6m	+40	1,180
Torray Ind	2.6m	-18	629
Mitsubishi Heavy	2.4m	-10	517
Victor Co of Jpn	2.3m	-36	854
Isuzu Motor	2.1m	-8	312

3 pm January 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 – 93 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	10¾	AAR Corp	0.48	4.0	21	163	12	11¾	11⅞	−⅛
28½	18	A L Labs A	0.16	0.7	169	122	25⅝	25¼	25½	+⅛
68¾	52⅞	AMP Inc	1.52	2.6	21	650	59¼	58⅛	58⅝	−⅞
80¼	54½	AMR				133881	67¾	66⅞	67⅞	−⅛
2⅜	1⅜	ARX			13	23	2	1⅞	2	+⅛
53½	30½	ASA	2.00	6.6	20	606	30⅞	d30¼	30½	−⅝
34¼	25⅛	Abbott Lab x	0.60	2.1	19	12752	28½	27⅝	28⅜	+¼
13⅞	10⅜	Abitibi Pr x	0.50	4.4	4	65	11¼	11⅛	11¼	
11⅝	10¼	ACM Gvt In	0.38	3.3		98	10⅞	10¾	10¾	−⅛
10⅜	9	ACM GvOpp	1.21	13.3		195	9¼	9⅛	9¼	
9⅝	8½	ACM Gvt Sp	0.85	9.4		60	9	8⅞	9	
11⅜	9⅞	ACM Gvt Se	1.01	9.4		282	10¾	10⅝	10¾	+⅛
10⅝	8⅜	ACM Man	1.18	11.6		63	10⅛	10	10	−⅛
12⅞	8⅝	ACM Managd	0.78	8.8		70	8⅞	8¾	8⅞	
11⅜	4¼	Acme Cleve	0.40	4.7	16	65	8⅝	8⅜	8½	
7⅛	3¼	Acme Elect			160	121	u8⅜	8	8	
33¼	14⅞	Acuson				112058	14½	d14	14⅛	−⅛
21	18⅛	Adams Expr	1.62	8.2	1	68	19¾	19⅝	19¾	
49⅛	29½	Ad Micro	3.00	6.2		160	48¾	47⅞	48¾	+½
21½	7½	Ad Micro P	3.00	15.0	7	1943	20	19⅝	20	+½
9⅝	4⅞	Advest Grp	0.16	2.9	11	203	5¾	5½	5½	−⅛
42¾	33	Aegon ADR	1.35	3.2	7	71	42	41⅞	42	+⅜
48¾	38	Aetna Lf	2.76	6.8	13	5030	47⅛	46¾	47⅛	+⅛
12¾	8⅜	Afil A	0.24	1.8	17	849	u13	12¾	13	+⅜
34⅞	24	Aflac	0.44	1.3	15	572	34¼	33⅞	33⅞	−⅜
19½	13	Ahmanson	0.88	4.8	9	2858	18½	17⅞	18½	+¼
22½	4	Aileen Inc			10	135	6¼	6	6	−⅛
49½	38½	Air Pr Chm	0.86	1.9	18	715	46⅜	45⅞	45⅞	−¾
29¼	12½	Airbne Frt	0.30	1.5	111	792	20⅛	19¾	20⅛	+⅜
23	11¼	Airgas Inc			31	53	21⅛	20⅞	20⅞	−⅛
12⅜	8⅛	Airlease	1.60	14.9	8	24	10¾	10⅝	10¾	+⅛
104	99	AlaPw8.16	8.16	8.0		2	101½	101	101½	
105	100¼	Alab 8.28C	8.28	8.0		z100	103	103	103¼	+¼
11¼	10½	AlaPwDpPf	0.87	8.3		25	10⅝	d10½	10½	−⅛
23⅞	14¾	Alaska Air	0.20	1.2	5	207	17½	17⅛	17⅛	−⅜
21¼	11¾	Albany Int	0.35	2.4	61	66	14⅞	14¾	14¾	−⅛
32	21¼	AlCulvr B	0.24	1.0	17	236	23¾	23½	23⅝	−⅜
25¾	19⅝	AlCulvr A	0.24	1.1	19	75	22	21⅞	21⅞	−⅛
53⅞	36¼	Albertsons	0.64	1.3	26	2401	49¾	48¼	49⅝	+1
22¾	15¼	Alcan Alum	0.30	1.8	37	5899	17¾	16⅞	17⅛	−¾
42⅝	33⅛	Alco Stand	0.96	2.5	17	912	39½	38⅝	39⅛	+¾
23⅛	14⅝	AlexBrown	0.50	2.4	5	401	21⅛	20¾	20⅞	
27⅝	18	Alexr Alex	1.00	3.8	92	767	26	25⅝	26	
36⅝	27½	Allegh Lud	0.88	2.5	21	11	35⅞	35¾	35⅞	
48⅝	41½	Allegh Pow	3.24	6.8	13	120	47½	47⅛	47½	+¼
31½	22¾	Allen Gp	1.75	5.8		22	30⅝	30¼	30¼	−¾
30	18⅞	Allen Con	0.24	0.9	17	68	26⅜	26¼	26⅜	+⅜
27¼	20¾	Allergan	0.40	1.7	16	829	24⅛	23¾	23⅞	+⅛
39⅛	28⅞	Allnce Cap	2.61	7.4	12	101	34⅛	33¾	34	−¼
[illegible]										

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 - 93 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
70⅝	52¾	Sch'berger	1.20	2.1	16	5869	57¼	56	56⅞	+1
37¾	18⅝	Schwab(C)	0.24	0.9	15	455	28	27⅝	27⅞	
10⅝	4½	Schwitzer			54	30	6	5⅞	6	
27½	10¼	ScientAtln	0.06	0.3	44	1762	26	25⅝	26	+¼
10⅝	7⅛	Scotman	0.10	1.1	77	753	9¼	9⅛	9¼	+⅛
46	34½	ScottPaper x	0.80	2.4	69	4122	34⅞	d33¾	34	-¼
17½	13½	ScuddrNAsF	0.55	3.7		145	15⅛	14⅞	15	
9¼	7½	ScuddrNEuF	0.34	4.4		211	7⅞	7¾	7¾	
24	13	Sea Contrs	0.45	2.1	12	12	21	20¾	21	-¼
15¾	14⅞	SeaC1.4625	1.46	9.6		24	15½	15¼	15¼	
31	25⅛	Seagram Co	0.56	2.3	13	4599	24⅞	d24½	24¼	
33¼	21⅝	Seagull En			81	41	30⅛	30⅛	30⅛	-⅛
28½	20½	Sealed Air			24	23	25⅝	25½	25½	-⅛
23	12⅛	SPX Corp	0.40	2.3	12	368	17⅞	17⅛	17⅛	-⅛
49	37	Sears Roeb	2.00	4.3	40	11811	46⅝	45½	46¾	+1¼
13¼	11⅞	Seligm Sel	0.86	6.7		150	13	12⅞	12⅞	-⅛
32⅞	22½	Sensormat	0.30	0.9	27	303	32⅛	31⅞	32⅛	-⅛
51	29	Sequa A	0.60	1.9	24	17	32½	32	32	-⅛
58	30¼	Sequa B	0.50	1.5	17	10	33¼	33	33¼	
18¾	15¾	ServiceCpl x	0.40	2.2	17	575	18½	18¼	18⅜	-⅛
29⅞	22	Servicemr x	1.32	4.7	11	227	28⅛	27⅞	28⅛	
34⅛	17	Shaw Ind	0.30	0.9	33	2509	u34⅝	32⅞	33⅞	+⅝
19½	8⅞	Shawmut Nt	1.00	5.3	30	3992	19⅛	18⅞	19	+¼
11	6⅜	Shelby Wil	0.24	2.2	50	37	u11⅛	11	11	
58¼	45⅝	Shell Tr&T	2.47	5.0	13	583	49⅞	48⅞	49¼	
[illegible]										

1992 - 93 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
1½	½	Zapata			40	333	⅞	13/16	13/16	
11⅛	5	ZenithElec			2	80	6⅛	6	6⅛	
20	14½	Zenith Nat	1.00	4.9	10	74	u20⅝	20½	20½	-⅛
7½	6	Zenix Inc	0.82	11.7		331	7	6⅞	7	+⅛
14⅛	10	Zero Corp	0.40	2.8	22	71	u14½	14⅜	14½	
39⅜	27⅞	Zurn Ind	0.88	2.2	44	237	u39¾	39⅜	39⅜	-⅛
14⅛	12	Zweig Fund x	1.44	11.1		97	13	12⅞	13	+⅛
11	9½	Zweig Totl	0.96	9.5		306	10⅛	10	10⅛	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3 pm January 13

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
Pegasus G	0.10	27	414	13⅛	12⅞	13⅛	
Perini	0.80	17	7	17¼	17⅛	17¼	+⅛
Pet HU&P	1.14	11	z100	17	17	16¾	-¼
Phil LD	0.25	9	737	34⅝	34½	34⅝	
Pittway A	1.10	18	5	34	33⅞	34	

NASDAQ NATIONAL MARKET

3 pm January 13

SINGAPORE

The FT proposes to publish this survey on March 1 1993
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FT SURVEYS

AMERICA

Iraq attack news puts Dow under pressure

Wall Street

US SHARE prices were mixed to lower in early afternoon trading yesterday as unconfirmed reports circulated that US and allied military forces had launched an attack on Iraq, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 17.29 at 3,247.35. The more broadly based Standard & Poor's 500 was down 0.37 at 430.67, while the Amex composite was 0.25 lower at 396.16. The Nasdaq composite, however, bucked the trend on gains in Intel and strong demand for other technology stocks, rising 2.01 to 681.56. Trading volume on the NYSE was 141m shares by 1 pm.

Prices opened lower as investors continued to struggle to find good reasons to buy stocks while the absence of new economic statistics, and the lack of movement from a becalmed bond market, ensured that trading remained directionless.

The political backdrop deepened the gloom. Following rumours earlier in the week of an imminent attack on Iraq by US and allied forces, uncomfirmed reports came out soon after midday claiming that a military strike had been launched. The market took the reports relatively calmly, although the underlying concern remains that a renewed conflict in the Gulf could hinder economic recovery by depressing consumer and business confidence, and possibly divert funds away from stocks to bonds.

Philip Morris fell $2 to $73 after disclosing that shipments of its best-selling Marlboro cigarettes fell 5.6 per cent last year – the steepest drop in the brand's history and much larger than the industry-wide decline in sales. Philip Morris admitted that it had underestimated the threat to Marlboro from rival brands.

Airline stocks remained under heavy selling pressure, primarily a reflection of concern that another war in the Middle East could push up fuel prices and scare passengers away. UAL dropped $2¾ to $126¾, Delta dropped $1 to $49⅞, USAir fell $⅛ to $13⅝ and AMR, parent of American Airlines, slipped $1⅞ to $66⅞, all in busy trading.

MEXICAN stocks posted a 1.5 per cent decline in morning trade, pressured by the fall on Wall Street on news of the US attack on Iraq. The BMV index of the 40 most active stocks was 27.98 lower at 1,754.15 at midday, in light volume. Telmex lost 1.4 per cent on conservative assumptions about its performance in the fourth quarter of 1992.

Defence stocks got a boost from the reports of an attack on Iraq. General Dynamics jumped $3⅛ to $109⅛, Lockheed climbed $1½ to $56¾ and McDonnell Douglas added $1⅛ at $53⅞ on hopes that another war would boost government spending on weapons.

On the Nasdaq market, Intel soared $6¾ to $108¾, a new all-time high for the stock, in volume of 6.7m shares after reporting that fourth quarter earnings rose to $1.97 a share, well above market estimates.

Canada

TORONTO followed Wall Street down, the financial services and metals and minerals sub-indices losing most – both slightly over 1 per cent – as the TSE 300 composite index fell 18.09 to 3,296.45 at noon.

Volume eased from 26.8m to 23.1m shares. Among active stocks, Scotiabank dropped C$⅛ to C$22⅞, and Nova Corp and Horsham both fell by C$⅛, to C$8⅞ and C$10¾ respectively.

SOUTH AFRICA

SELECTIVE selling in industrials depressed the sector's index, which closed 7 lower at 4,549. The overall index shed 6 to 3,402 while golds lost 5 to 784. Anglos slipped R1.25 to R95.25, but De Beers was unchanged at R66.

EUROPE

Bourses cautious ahead of US air strike

NEWS that President George Bush had decided to launch a military strike on Iraq came towards the close of trading on the continent, *writes Our Markets Staff.*

FRANKFURT came under pressure from the tension between Iraq and the US and the slowdown in the German economy. The DAX index fell 13.69 to 1,516.50 as turnover rose from DM4.2bn to DM4.3bn.

Volkswagen closed DM4.40 lower at DM258.50 before the outcome of yesterday's extraordinary board meeting on job cuts and lower investments. Siemens eased DM4.80 to DM573 ahead of today's report on the first quarter of 1992/93.

Kugelfisher, the ball-bearing manufacturer, fell DM10.50 or 11.6 per cent to DM80 on news that it would make losses in 1992 and 1993. Hoesch *Umtausch*, representing the merger swap into Krupp AG, dropped DM10 to DM110, against DM210 three months ago.

PARIS was weighed down by LVMH which fell as much as 7 per cent on its return to trading after its suspension on Tuesday. LVMH's report on 1992 earnings prompted several brokers to downgrade their forecasts for 1993. The CAC-40 index ended 14.23 lower at 1,782.53 in turnover of FFr2.4bn.

LVMH ended FFr161 or 4.7 per cent lower at FFr3,260 and its affiliated companies also weakened.

Other fallers included Pechiney CIs which dropped FFr15 or 4.8 per cent to FFr295 following poor results from Alcoa, the US aluminium company, and the insurer UAP, down FFr16.70 to FFr476.30 on fears that it was exposed to the Braer oil spill off Shetland.

AMSTERDAM finished unchanged with Royal Dutch recouping some of its losses in the last minutes of trading on expectations of higher oil prices in the event of renewed conflict in the Gulf.

The CBS Tendency index was flat at 96.4. Royal Dutch was down 70 cents at Fl 146.40 but above a low of Fl 145.60.

Begemann, the industrial group, fell Fl 7.50 or 9 per cent to Fl 72.50 after reporting lower 1992 earnings. Polygram rose 40 cents rise to Fl 43.70 after it said that it had increased its stake in two Japanese record companies. Philips slipped 30 cents to Fl 20.50.

MILAN rose as Generali extended its recent gains. The market was also lifted by hopes that on Friday the government will announce tax incentives to stimulate investment in the stock market. The Comit index rose 7.74 to 458.85 in turnover estimated at close to Tuesday's L234.6bn.

Generali was fixed L800 higher at L30,800 before reaching L31,300 later. Credito Italiano added L43 to L3,160.

ZURICH stayed faithful to the financial sector, UBS bearers rising SFr11 to SFr886, CS Holding by SFr50 to SFr2,050 and Winterthur registered by SFr70 to SFr2,790. The SMI index fell 4.3 to 2,074.9.

Recent high-flyers in the pharmaceutical sector suffered from light profit-taking. Some attention moved to second-tier shares where Sulzer rose SFr11 to SFr605.

MADRID's general index rose 0.95 to 220.06 as Banco Popular supported the financial sector on solid 1992 earnings and rose Pta150 to Pta11,900. Viscofan, a manufacturer of sausage skin, gained Pta70 or 6.4 per cent to Pta1,160 on news that a US competitor had filed for Chapter 11.

STOCKHOLM closed lower as afternoon selling wiped out early gains. The Affärsvärlden General index fell 4.70 to 930.50 as turnover improved to SKr875m from SKr708m.

Astra fell on reports that it might have to cut prices on several of its products. The A share fell SKr8 to SKr707.

OSLO wiped out Tuesday's strong gains, due to falls in Norsk Hydro and Hafslund. The all-share index eased 5.0 to 387.0 in light turnover of NKr231m. Hafslund's B-shares lost NKr3.5 to NKr161 while Norsk Hydro closed down NKr2.5 at NKr163.

BRUSSELS's Bel-20 index inched 3.02 higher to 1,149.03 points. The pharmaceutical group UCB climbed BFr500 to BFr23,900 while Petrofina fell for the third day, down BFr50 to BFr7,370.

DUBLIN continued to chip away at the 5.6 per cent gain it registered in the first three trading days of 1993. The Iseq index fell another 18.95 to 1,259.25, down from 1,295.77 a week ago.

Davy Stockbrokers said at a presentation in London that the Irish cabinet could decide to devalue the punt within two or three weeks, offering scope for a post-devaluation rally of 10-15 per cent.

Davy like banks, noting that AIB has declined by 3 per cent over the past 12 months, and Bank of Ireland appreciated by just 13 per cent against gains of 39 per cent by UK banks and 49 per cent for their US regional counterparts.

ISTANBUL's 75-share index fell 101.14 or 2.4 per cent at 4,044.42 in turnover of TL250bn. TEL AVIV fell for the third day on profit-taking by private investors after last week's gains. The blue chip index lost 2.47 or 1.2 per cent to 203.32 in turnover of Shk160m.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

January 13 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1066.51	1066.36	1066.65	1066.56	1064.94	1066.13	1065.62	1063.02
FT-SE Eurotrack 200	1151.70	1151.07	1151.49	1149.41	1147.49	1147.29	1149.26	1144.79

	Jan 12	Jan 11	Jan 8	Jan 7	Jan 6
FT-SE Eurotrack 100	1071.43	1069.87	1080.25	1081.92	1091.68
FT-SE Eurotrack 200	1152.84	1155.95	1167.34	1171.90	1179.18

Base value 1000 (26/10/90) High/day: 100 - 1067.48; 200 - 1152.75 Low/day: 100 - 1063.02 200 - 1144.79.

Pakistan fails to live up to expectations in 1992

Economic problems remain, says **Farhan Bokhari**

Pakistani equities are expected to remain under pressure during the first quarter of this year, after a disappointing performance in 1992.

In the first two weeks of 1993 the Karachi Stock Exchange index has recovered some ground on good company earnings forecasts, having ended 1992 some 26 per cent down on the year. Yesterday the KSE closed 5.95 lower at 1,256.57.

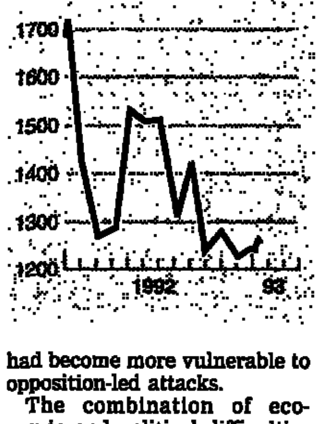
In the first quarter of 1992 the market saw a strong rise amid expectations of improved economic growth and expansion of business activity after the government had announced new incentives to encourage fresh investments.

Better than expected growth in cotton production also fuelled projections of improved profits in textiles. This strengthened textile shares, which comprise almost one-third of the market's 622 listed companies.

But the buoyant trend which opened the year was quickly overtaken by reports of new taxes in the budget, large-scale damage to property and the cotton crop in last summer's floods, and fresh signs of political uncertainty.

Although the government remained committed to large-scale privatisation and economic liberalisation, flood-related damage, estimated to cost Rs50bn ($2bn), overshadowed the prospects for development. This also raised new concern over spending which the government had earlier promised to reduce in line with targets recommended by international financial institutions.

Political problems also weighed on sentiment. Concern over a split between the MQM (Mohajir Qaumi Movement), a regional ethnic party in Karachi, the country's commercial capital, and Prime Minister Nawaz Sharif's government last summer led to fears that the administration had become more vulnerable to opposition-led attacks.



The combination of economic and political difficulties brought about the largest fall in the market during the third quarter when the KSE index dropped 269.3 points between July to September. A campaign of street protests organised by the opposition alliance of Benazir Bhutto in November also kept prices depressed.

Many brokers and investors now say that they are looking for new signs of strong business confidence before seeing fresh large-scale buying. But others are confident that, in spite of the downward trend, the KSE has become an important emerging market as market capitalisation grows and volume increases.

Over the past 20 months equity market capitalisation has shot up to approximately Rs202bn from Rs104bn. "In the last 20 months, the capital that has come in is equivalent to the market capitalisation of the previous 40 years," says Mr Amin Umer, former vice-president of the KSE, who finished his tenure last week. He expects the index to reach the 1,400 level by the end of the first quarter in 1993 which, he says, would be an accurate reflection of share values.

Another broker, Mr Nasir Bukhari, argues that while the index is not likely to rise significantly in the next couple of months, interest from foreign investors indicates the market's growing importance. He notes that the recent rise in market capitalisation includes a $300m investment from overseas institutions in response to foreign exchange reforms allowing free repatriation of capital and profits.

Investors have also been encouraged by financial sector reforms during the past two years, but are cautiously awaiting fresh signs of economic recovery.

One broker comments that reports that the public sector deficit for the year is expected to rise beyond the target of Rs65bn has raised new concern. "Many investors and brokers want to know if the economy will remain trouble free, and if stocks such as textiles will grow, before making new commitments."

ASIA PACIFIC

Gulf worries upset investors in the Far East

Tokyo

THE Nikkei average resumed its downward trend after Tuesday's brief rally. The continued lack of government support for share prices combined with worries about the Middle East to depress the market, *writes Bethan Hutton in Tokyo.*

The 225-issue Nikkei slipped 163.14 to close at 16,517.91. It fell from the day's high of 16,688.97 at the opening to hit a low of 16,440.05 in the early afternoon on television reports that the US had decided to retaliate against Iraq.

Volume picked up to around 190m shares from the previous day's 150m. Brokers said some of the heaviest trading was in shares being hedged against new equity-linked bond issues.

Declining shares outnumbered those advancing by 689 to 209, with 189 stocks ending unchanged. The Topix index of all first section shares shed 10.52 to 1,271.46, after easing 1.95 on Tuesday. In London, the ISE/Nikkei 50 index was a slight 0.19 off at 1,029.07.

Selling by companies hoping to shore up year-end balance sheets continued to push the stock market down. The Nikkei's brief dip below 16,500 failed to draw much buying from public pension funds, which are believed to have large sums available for the purchase of equities before the end of this financial year. Brokers now say heavy support buying from that quarter is not expected until the Nikkei falls closer to 16,000.

Mr Ross Purdie of S.G. Warburg Securities said longer term factors would also weigh against a significant increase in buying interest. "We have still got fairly high price/earnings ratios, and although there are a lot of new funds for investment in equities worldwide, we are seeing much less of those funds coming to Japan," he said.

Pharmaceuticals were sold heavily after reports that the government intends to place time limits on the prescription of the high-priced drug Interferon for individual hepatitis patients. Toray Industries, the diversified textile manufacturer which is one of the main Interferon producers, fell Y18 to Y629, while Sumitomo Chemical dropped Y24 to Y431 and Green Cross relinquished Y60 at Y1,190.

The decline of the market ate into gains made by some issues earlier this week, including Victor Co of Japan (JVC) which retreated Y36 to Y854. Canon dipped Y10 to Y1,360 after the announcement that 1992 stepper sales were down 30 per cent from 1991. Sony weakened Y50 to Y4,060 on news that the company is to withdraw from the computer disc drive market.

In Osaka the OSE index finished 156.84 down at 18,164.34 in volume of 101m shares.

Roundup

MIDDLE EAST fears haunted the Pacific Rim yesterday.

HONG KONG featured firmly with a 1.9 per cent gain, which some brokers attributed to traditional optimism ahead of the Chinese New Year. The Hang Seng index ended 107.48 higher at 5,778.74, after peaking at 5,796.74 in the morning. Turnover came to HK$3.4bn.

SINGAPORE fell as jittery investors turned sellers on a report of a possible US military strike against Iraq. The Straits Times Industrial index lost 12.08 to 1,532.94 in volume of 94.9m shares.

AUSTRALIA was driven lower by volatile futures trading. The All Ordinaries index shed 14.3 to 1,495.0, its lowest close since early December. Turnover totalled A$212.5m.

Westpac was the most active stock, down 7 cents at A$3.04 on nearly 5m shares traded.

SEOUL gained slightly, with buying of small and medium-sized companies offsetting institutional profit-taking in large-capitalisation shares. The composite index put on 2.88 at 705.93 in Won874.6bn turnover.

TAIWAN reversed early losses as institutional buying of low-priced stocks emerged just before the close. The weighted index, more than 30 points down initially, closed a net 10.38 up at 3,227.93 in turnover of T$6.9bn.

MANILA bounced back from the previous day's profit-taking as investor interest spilled into the mining sector. The composite index climbed 12.59 to 1,320.76 and the mines index gained 8.3 per cent to 3,341.85. Combined turnover grew to 280.2m pesos from 228.9m.

KUALA LUMPUR finished lower after investors liquidated positions amid rising tension in the Gulf. The composite index was finally 2.18 off at 614.28 after an early high of 618.04. Volume amounted to 72.2m shares, against 63.2m.

BANGKOK recovered most of its earlier losses by the close, after sliding 21.24, or 2.3 per cent, in the morning on Middle East war rumours. The SET index ended 3.33 down at 930.27 in active turnover of Bt14.09bn.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JANUARY 12 1993								MONDAY JANUARY 11 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	119.14	−0.1	114.70	94.33	101.09	117.32	−0.6	4.14	119.29	113.84	94.29	101.12	118.02	153.68	108.18	147.77
Austria (18)	132.18	−1.0	127.25	104.65	112.15	112.17	−0.7	2.18	133.48	127.39	105.52	113.15	112.93	186.70	132.18	167.47
Belgium (42)	133.82	−0.1	128.83	105.94	113.54	110.88	+0.0	5.16	133.97	127.86	105.89	113.57	110.85	152.27	131.19	140.29
Canada (113)	113.26	+0.0	109.04	89.66	96.09	104.89	+0.2	3.21	113.29	108.12	89.55	96.03	104.64	142.12	111.36	140.84
Denmark (33)	189.37	−0.1	182.31	149.93	160.67	162.45	−0.1	1.68	189.64	180.98	149.90	160.75	162.62	273.94	181.70	269.67
Finland (23)	70.14	−1.4	67.53	55.54	59.51	79.93	−1.4	1.76	71.10	67.86	56.21	60.27	81.03	89.80	52.84	85.93
France (99)	143.55	−0.7	138.20	113.65	121.79	124.70	−0.8	3.62	144.56	137.95	114.25	122.52	125.67	168.75	136.93	149.43
Germany (62)	102.48	−0.2	98.66	81.15	86.95	86.95	−0.1	2.62	102.68	98.00	81.18	87.04	87.04	129.69	102.20	115.28
Hong Kong (55)	227.36	+0.1	218.88	180.00	192.91	225.93	+0.1	3.97	227.15	216.78	179.55	192.56	225.78	262.28	176.36	179.70
Ireland (16)	142.64	−1.6	137.32	112.93	121.02	124.18	−1.4	4.35	144.96	138.34	114.58	122.88	125.89	173.71	122.98	165.06
Italy (76)	54.76	−0.6	52.72	43.35	46.46	61.31	+0.7	3.39	55.08	52.57	43.54	46.69	60.86	80.86	47.47	77.52
Japan (472)	102.55	−0.3	98.72	81.19	87.02	81.19	−0.1	1.03	102.82	98.13	81.28	87.17	81.28	140.95	87.27	126.46
Malaysia (69)	253.02	−0.8	243.59	200.32	214.68	252.83	−0.7	2.63	255.03	243.39	201.58	216.18	254.73	282.42	212.49	213.00
Mexico (18)	1675.44	−0.9	1612.98	1326.49	1421.57	5703.44	−0.8	1.05	1690.82	1613.65	1336.53	1433.30	5748.41	1789.77	1185.84	1471.54
Netherland (25)	150.98	+0.0	145.36	119.54	128.11	126.45	+0.1	4.50	151.02	144.13	119.38	128.02	126.28	169.70	147.88	150.00
New Zealand (13)	41.68	+1.8	40.13	33.00	35.37	43.13	+1.6	5.08	40.98	39.09	32.38	34.72	42.47	48.52	37.39	46.05
Norway (22)	145.25	+2.2	139.84	115.00	123.25	137.27	+2.0	1.76	142.15	135.66	112.36	120.50	134.57	192.95	128.05	183.65
Singapore (38)	209.23	−0.5	201.43	165.65	177.52	159.72	−0.6	2.06	210.24	200.64	166.19	178.22	160.73	229.63	179.65	216.60
South Africa (60)	156.64	+0.3	150.80	124.01	132.90	165.19	−0.2	3.08	156.20	149.07	123.46	132.40	165.53	263.60	134.21	259.74
Spain (47)	118.25	+0.0	113.84	93.63	100.33	103.87	+0.2	5.83	118.22	112.83	93.45	100.22	103.62	161.72	107.10	155.43
Sweden (36)	158.90	−2.3	152.98	125.81	134.83	175.43	−0.8	2.45	162.61	155.18	128.54	137.84	176.93	200.28	149.69	180.24
Switzerland (56)	109.93	+0.9	105.83	87.04	93.29	102.16	+1.5	2.09	108.91	103.94	86.09	92.33	100.64	122.37	95.99	100.70
United Kingdom (226)	170.73	−1.4	164.36	135.16	144.85	164.36	−0.6	4.50	173.20	165.29	136.89	146.80	165.29	200.07	161.86	179.18
USA (522)	176.19	+0.0	169.62	139.50	149.50	176.19	+0.0	2.90	176.16	168.12	139.25	149.33	176.16	180.06	160.92	171.52
Europe (781)	134.37	−0.8	129.36	106.38	114.01	123.32	−0.2	3.82	135.41	129.22	107.03	114.79	123.60	156.88	131.31	145.08
Nordic (114)	145.78	−1.4	140.35	115.42	123.69	141.70	−0.5	2.16	147.86	141.11	116.88	125.34	142.46	188.52	141.24	185.24
Pacific Basin (715)	107.26	−0.2	103.25	84.92	91.01	86.71	−0.1	1.39	107.52	102.61	84.99	91.15	86.83	141.97	93.70	128.56
Euro−Pacific (1496)	118.23	−0.5	113.82	93.60	100.31	101.33	−0.2	2.52	118.81	113.38	93.91	100.71	101.51	145.21	113.60	135.46
North America (635)	172.29	+0.0	165.87	136.42	146.21	171.35	+0.0	2.92	172.26	164.40	136.18	146.05	171.31	176.04	158.70	169.56
Europe Ex. UK (555)	112.77	−0.3	108.57	89.30	95.71	100.91	+0.0	3.32	113.09	107.93	89.41	95.89	100.88	132.98	111.33	124.38
Pacific Ex. Japan (243)	153.51	−0.1	147.78	121.55	130.26	143.05	−0.3	3.71	153.65	146.64	121.48	130.26	143.45	175.31	146.06	149.31
World Ex. US (1687)	119.47	−0.5	115.02	94.59	101.37	103.48	−0.2	2.53	120.03	114.55	94.89	101.75	103.66	146.91	115.99	137.83
World Ex. UK (1983)	134.52	−0.1	129.51	106.51	114.15	122.04	+0.0	2.48	134.68	128.54	106.47	114.18	122.08	150.58	127.21	145.19
World Ex. So. Af. (2149)	137.63	−0.3	132.50	108.98	116.79	125.40	−0.1	2.69	138.00	131.70	109.09	116.99	125.51	153.05	130.04	147.42
World Ex. Japan (1737)	157.47	−0.3	151.60	124.69	133.63	151.79	−0.1	3.24	157.88	150.67	124.81	133.86	151.92	165.40	151.93	161.02
The World Index (2209)	137.66	−0.3	132.53	108.99	116.81	125.77	−0.1	2.69	138.02	131.72	109.10	117.01	125.88	153.70	130.66	148.16

Constituent change 13/1/93: Name change: BP Canada to Talisman Energy Inc. (Canada). Latest prices were unavailable for this edition.

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